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NEWS SUMMARY

GENERAL

African States summit today

The five African frontline states are to hold a summit meeting in Lusaka today following a series of contacts between the principals in the Rhodesia dispute in Nairobi, where world leaders attended President Kenyatta's funeral.

Dr. David Owen, UK Foreign Secretary, and Mr. Andrew Young, U.S. ambassador to the UN, talked in Nairobi late last night but they will not be attending the Lusaka summit.

Meanwhile, the Rev. Sibiho's ZANU party claimed in Salisbury that Mr. Ian Smith had met President Kaunda and Mr. Joshua Nkomo, Patriotic Front leader, at secret talks in Zambia two weeks ago. Back Page.

Prince Charles turned his back on President Amin as the Ugandan leader passed down a line of visiting heads of state at President Kenyatta's funeral. Amin gazed at the Royal back for a few seconds, then walked away.

Vaccine muddle

The World Health Organisation told countries there was no need to alter vaccination requirements in spite of the Birmingham smallpox case. A number of countries which had demanded certificates from UK citizens later withdrew the requirement.

Express launch

Express Newspapers confirmed that it would launch a tabloid daily based in Manchester as soon as agreement was reached with the unions. The paper could start publication next month. Back Page.

Bonn spy probe

The West German Parliament has been summoned to an emergency session in Bonn today amid a fresh spy scandal in which a Social Democratic MP is alleged to be a Soviet agent. Page 2.

Flight 'chaos'

Holiday flights this weekend face the worst delays since the French air traffic controllers' dispute started. Madrid airport warned of long delays as the peak summer period ended and British Airways in Palma, Majorca, said it expected "complete chaos".

Aid for divers

A special medical unit to treat divers hurt in North Sea oil work is to be set up in Aberdeen. The move responds to a Scottish Office report which says present arrangements for dealing with casualties are "fragmented and haphazard". Page 8.

Genette phone-in

Police searching for missing Devon schoolgirl Genette Tate are studying tape recordings of nearly 500 telephone calls received by the Rev. Denis Large during a 24-hour phone-in.

Post haste

Elsie Axon, 58, who runs the post office at Nelberavon, Wilts., may have been given a ride to work by helicopter when it crashed landed in a cornfield. As she awaited a rescue helicopter, Elsie said: "I thought they always came down as fast as that".

Prison trial

Twelve prison officers accused of conspiring to assault and beat prisoners in Hull jail two years ago were committed for trial to the crown court by Hull magistrates.

Briefly...

Princess Caroline of Monaco flew to Glasgow en route to the Isle of Arran for a holiday with her new husband, M. Philippe not.

Actor John Cleese is seeking a divorce from Connie Booth.

Conservative Dr. Michael Jones of Keighly, Yorks., drowned in the Himalayas.

September will be cool at first, changeable and warmer later. Weather, Back Page.

BUSINESS

Equities uncertain; Gilts ease

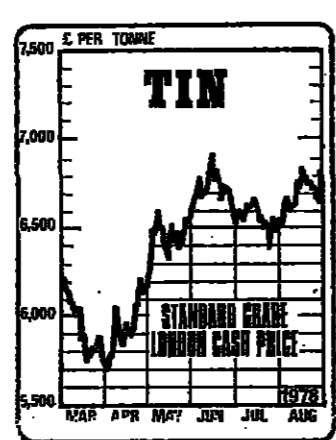
● **EQUITIES** were uncertain, adversely influenced by the decision to refer the Bingham report on Rhodesian sanctions to the DPP. The FT Industrial Ordinary share index closed 4.5 down at 498.5.

● **GILTS** continued on the down-tack, unsettled by comment on the outlook for funds and lessened chances of a cut in M.L.R. The Government Securities Index closed 0.23 down at 70.19.

● **GOLD** rose \$13 to finish at \$208.1; in moderately active trading. The New York Comex September settlement price was \$205.90 (\$206.90).

● **STERLING** traded quietly to close at \$1.9435, up 25 points. The pound's trade weighted index was unchanged at 62.4, while the dollar's depreciation narrowed to 9.1 (9.2) per cent.

● **TIN** prices rose further on the London Metal Exchange. The cash price for standard



grade metal increased by \$55 a tonne—following a \$105 rise on Wednesday—to close at \$6,815.

● **WALL STREET** was 5.29 down at 875.43 near the close.

Japan's GNP growth slows

● **JAPAN'S GNP** grew by 1.1 per cent in real terms during the second quarter of this year, compared with a 2.5 per cent growth in the first quarter. The country's policy of restraining its exports to last year's level may soon be suspended, because exports are falling anyway as a result of yen revaluation. Back and Page 6.

● **GOVERNMENT** job creation measures in the present financial year cost an estimated net £1.5bn and many of these may have to become permanent, according to an all-party Commons Select Committee. Page 8 and Editorial Comment. Page 16.

● **BOOK** value of manufacturers' and distributors' stocks rose by £1.35bn between early April and the end of June, compared with a \$550m rise in the previous quarter, according to official figures in the Trade and Industry magazine. Page 7.

● **NVT MOTORCYCLES**, which emerged from the former Norton Villiers Triumph and BSA Group, has signed a deal to make and distribute Wankel rotary motor-cycle engines.

● **SOUTHAMPTON** dockers' leaders are planning renewed action to black container traffic handled at the Diodot trading centre near Oxford. News Analysis Page 8.

● **BRITISH** jobbers Wedd Durie and Smith Brothers have asked the London Stock Exchange for permission to apply for joint membership of the European Options Exchange. Page 6.

COMPANIES

● **MATTHEWS WRIGHTSON** Holdings taxable profit advanced 41 per cent to \$48m for the half-year to June 30, 1978. Page 19 and Lex.

● **LADBROKE GROUP** pre-tax profits for the half-year to July 4, 1978, increased from £10.93m to £13.8m, on higher turnover of £221.37m against £170.62m. Page 19 and Lex.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)	
RISERS	
Compton and Webb	43 + 5
Electrocomp	383 + 7
FNFC Unisys	92-47 132 + 31
Laing (J.) A	226 + 18
Liberty	178 + 9
Matthews Wrightson	200 + 8
Miscellaneous	75 + 4
Slemons (UK)	388 + 6
Carr Boyd Minerals	44 + 4
Conzinc Rietveld	307 + 17
De Beers Ltd	428 + 11
Scottish Agric Inds	207 + 12
Southval	574 + 16
FALLS	
Tracas, 9pc 1980	108 1/2 - 1/8
Alginat	288 - 12
Bardley Bank	345 - 7
Brown (J.)	438 - 7
Church	180 - 10
Davy Intnl	278 - 6
Decca A	460 - 15
EPS	115 - 5
Eagle Star	147 - 5
Gilco	608 - 7
ICI	393 - 5
ICI	376 - 9
Ishtok Johnson	151 - 15
Pearl Assurance	248 - 4
Reed Intnl	138 - 4
Rowntree Macintosh	417 - 11
Scottish Agric Inds	207 - 12
Tarmac	136 - 6
Whesave	65 - 5

Ministers announce £700m. aerospace decisions

UK agrees to join Airbus as Rolls engine goes ahead

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

Decisions affecting the long-term future of a substantial part of the UK aerospace industry, costing upwards of £700m to implement and provide continuity of employment for more than 17,000 workers, were announced yesterday by the Government. They were:

1 — British Aerospace, the nationalised aircraft group, is to be allowed to join the European Airbus Industrie group from January 1, subject to the approval of the French and West German Governments, to help develop the new A-310 version of the increasingly successful A-300 Airbus. This is expected to cost upwards of £50m.

2 — Rolls-Royce is to go ahead with the development of the new 535 version of the RB-211 engine, costing about £250m, for the new twin-engine Boeing 787 wide-bodied jet airliner. British Airways will buy 19 of these jets, costing £400m. Together with an order announced in Miami by Eastern Air Lines of the U.S. for 10 Boeing 787s, the 535 engine, with options on 24 more, will have enough orders to launch the 787 on to world markets. This will be its second major new airliner venture this year, following the launch of the bigger 200-seat 767 wide-bodied jet this summer. These decisions were announced yesterday by Mr. Eric Varley, Industry Secretary and Mr. Edmund Dell, Trade Secretary, after many months of discussion with the French and West German Governments to try to find a satisfactory formula which would allow Britain to rejoin the European Airbus Industrie manufacturing group.

Mr. Varley said the decision to approve the 535 engine would strengthen considerably Rolls-Royce's position in world markets for the next 25 years.

The RB-211 in its Dash 22 and Dash 524 versions already represents at least 10,000 jobs in Rolls-Royce and around a similar number in suppliers. Employment on the 535 should build up over the next few years to represent up to 5,000 jobs in Rolls-Royce and at least that number at suppliers, he said.

British Airways is being allowed to buy the new U.S. jet, with the Rolls-Royce engines, because the airline regards it as the best aircraft for its immediate needs in the broad 170-300 seat category of aircraft, supplementing the 19 smaller 114-seater Boeing 737 jets ordered earlier this summer.

British Airways and Eastern will start to take delivery of their 787s in mid-1983. Both deals still are contingent on detailed contract negotiations.

The 787 will have two engines, and will fly over distances of 1,500 miles. In British Airways' fleet it will replace ageing Trident Three jets on short-haul European routes.

The decision to allow British Aerospace to join the Airbus Industrie group to help develop the new A-310 aircraft is based on an agreement reached by the UK nationalised body with Aerospace of France and Deutsche Airbus of West Germany, both already members of Airbus Industrie.

The approval of the French and West German Governments is needed because they have been seeking a commitment from British Airways to buy the A-310, which is a smaller 200-seat derivative of the 250-seat A-300 Airbus. But the UK Government has not felt able to meet this requirement, preferring to allow British Airways to retain its commercial freedom to choose.

Continued on Back Page

Ministers urge Callaghan to postpone election

BY RICHARD EVANS, LOBBY EDITOR

SOME SENIOR ministers are still advising Mr. James Callaghan to postpone a general election until next year, despite the confident belief of all three party organisations that polling will take place in early October.

The notably cautious Mr. Callaghan will not make up his mind until he has studied further opinion polls and party reports over the next fortnight but his close advisers believe he now sees no alternative to October for both parliamentary and economic reasons.

Leading the powerful group of ministers who remain unconvinced that October is the best choice is Mr. Michael Foot, Labour's deputy leader. Mr. Foot's supporters are Mr. Merlyn Rees, Home Secretary, and Dr. David Owen, Foreign Secretary. But both Mr. Denis Healey, Chancellor of the Exchequer, and Mr. Roy Hattersley, Paces Secretary, are thought to accept that an autumn election is now virtually certain.

A possible explanation for the latest surge of rumours is the desire of some ministers to unsettle the Tory camp following the party's recent launch of expensive post and publicity campaigns on the assumption of an October poll.

The Prime Minister's personal inclination is to continue in office into next year, but with the ending of the Liberal-Labour pact and the lack of any reliable alternative support among the other minority groups, there would be too great a danger of a Government defeat in the Commons' Speech in November. A major argument for soldiering on is the attraction to Labour of fighting on a new electoral register next spring, but the worst possible outcome would be to be forced into an election in mid-winter through a parliamentary defeat.

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Pan Am plans National merger

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By John Wyles

NEW YORK, August 31. PAN AMERICAN World Airways and National Airlines have started negotiations on a \$550m merger, National Airlines announced today.

Pan Am's interest in acquiring National Airlines first emerged last week when it proposed a tender offer of \$35 for National's stock. The subsequent move towards a friendly merger on the basis of \$41 a share could save National Airlines from an unwelcome bid to control it by the small regional airline, Texas International.

However, all combinations in the airline industry require the approval of the Civil Aeronautics Board, which will probably try to reach a judgment on the matter by next March.

The board is very anxious to maximise competition within the industry and is thought not to be anxious to see any consolidation before airlines have had a greater experience of competing on each other's hitherto exclusive routes.

Mr. L. E. Maytag, chairman of National Airlines, said in Miami today that substantive negotiations were now under way on the basis of an offer of \$41 a share and that a meeting of National's board had been fixed for September 5 to consider the results of the discussions and the management's recommendations.

Mr. William Seawell, chairman of Pan Am, has also announced a meeting of his board for September 5, when he thought Pan Am management would be in a position to make a decision on the offer.

The Civil Aeronautics Board has already started proceedings to consider Texas International's request to acquire control of National. It has given the regional airline and Pan Am both permission to buy up to 25 per cent of National's stock in the open market.

Last night Texas International disclosed that it had spent \$42.2m purchasing 18.2 per cent of National's stock for an average price of \$27 a share. Most CAB statements on the subject of airline mergers have given no great cause for hope that either a Pan Am/National merger or a Texas International/National combination would be approved.

Pan Am and National will tell the CAB that since there is virtually no overlap between their route structures, a merger cannot be anti-competitive.

Moreover, Pan Am is stressing its need for a domestic route system to feed its international services.

There is no indication that the Nationalists or the Unionists would be in favour of an agreement and on past experience they would not provide the most reliable of parliamentary allies.

The likelihood remains that Mr. Callaghan, after addressing the TUC with a rallying speech, will announce the General Election date a few days after he sees the Queen at Balmoral on September 9 and 10.

Peugeot chief spells out Chrysler hopes

BY DAVID CURRY

PARIS, August 31.

PEUGEOT CITROEN finally committed itself today to restoring the fortunes of Chrysler UK and spelled out its long-term ambitions of creating an effective European challenge to the giant U.S. and Japanese motor-manufacturers.

Mr. Jean-Paul Parayre, chairman of Peugeot Citroen, said incorporation of Chrysler UK into Europe's largest motor-manufacturers would offer "new opportunities for recovery and therefore of expansion and prosperity for its employees and its dealer network."

In the company's most detailed comment on the deal so far, Mr. Parayre promised that the Chrysler operations in Europe, being acquired for \$200m (£110m) in cash and a 15.5 per cent stake in the capital of the Peugeot Citroen parent company PSA, would be treated on terms of strict equality with those of the Peugeot and Citroen operating subsidiaries.

It was not intended to eliminate Chrysler models which competed with Peugeot products. "Our policy is not to delete models. We believe the diversity of models is an advantage for our customers."

Mr. Parayre defined three main principles of group organisation:—

1 — Maximum decentralisation of each company's management in a framework of close co-ordination and supervision by the parent concerned.

2 — Development of economies of scale, including improved use of production facilities and "active" establishment of a coherent and efficient industrial complex.

3 — Subordination of vehicle components not linked to the specific brand image.

And formulation of a "group" strategy, providing each sales network with models to satisfy the demands of its clientele while avoiding unproductive competition, in small segments of the market.

Acquisition of Chrysler's manufacturing and sales activities in France, Spain and the UK was a "decisive step" towards continued on Back Page

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EUROPEAN NEWS

THE PEUGEOT-CITROEN BID FOR CHRYSLER

A suitable case for treatment

BY TERRY DODSWORTH IN PARIS

"WE ARE in an industry which is pitiless and remorseless to the weak," said M. Jean-Paul Parayre, the president of Peugeot-Citroen, yesterday. His words neatly underline the threat which hangs over Chrysler Europe, a company which has grown steadily weaker in the last few years, and which seemed to be entering a terminal stage of illness when Peugeot-Citroen stepped in with its \$430m takeover bid three weeks ago.

Chrysler Europe is small in an age of giants, and the vultures have been gathering for the kill. But Peugeot believes it can be restored to health, basically by developing its present resources and without any radical surgery. This message of hope came across with resounding clarity at the news conference given by M. Parayre in Paris yesterday. He went much further, in effect, than most observers expected, when he announced Peugeot's intention to retain Chrysler Europe in its present form. In particular, he stressed the company's belief that Chrysler's UK interests, the weakest link in this highly vulnerable company, can be saved.

These statements fly in the face of many of the suspicions of the deal which have emerged in the UK in the last few days. According to these criticisms, the UK interests of Chrysler Europe are an embarrassment to Peugeot and are only being taken on because they are part of the total package. Critics have been suggesting that the Peugeot deal has been prompted by three main criteria—namely to bring back all French vehicle production under French control, to give Peugeot a strong commercial arm capable of taking on the other big European companies, and to consolidate the healthy French position in the Spanish vehicle market. None of these criteria, say the critics, suggests a significant position for Chrysler's UK interests, apart from the truck manufacturing plant at Dunstable. Therefore, the most the British Government can hope for is a limited commitment to the UK interests which will be jettisoned as soon as decently possible.

able, or when the first strike looms over the horizon. M. Parayre's view of the situation, however, delivered quietly and soberly to the 200 journalists who had flooded into Paris from all over Europe, has a significantly different emphasis.

First, Peugeot will take over Chrysler Europe as a means of gaining extra capacity and becoming one of the plants in the world of motor industry. It will then proceed steadily to develop this capacity, much of which exists, under-utilised, in the UK. Gradually, common activities in the components field will be undertaken to take advantage of the potential economies of scale presented by the takeover. But Chrysler activities will be kept strictly separate from Peugeot's and Citroen's in terms of management, day-to-day management, and the sales network.

Given this concept of establishing Chrysler as a free-standing subsidiary of the larger group, there is a very strong case for PSA, the Peugeot-Citroen parent company, doing everything possible to hang on to what the British Government did

Chrysler's UK interests. As a group, Chrysler Europe would be less competitive, in terms of size, without the UK facilities. So, provided the British work-force delivers the goods—and M. Parayre made a special point of talking about Peugeot's "English and Scottish friends"—the future of the UK plants should be healthy.

M. Parayre also indicated that the French company is willing to go a long way towards giving the kind of guarantees which the British Government is likely to press for before it allows the deal to go ahead.

Most significantly, he said unequivocally that PSA would be prepared to sign a similar declaration of intent to the one which Chrysler signed in 1976. This would commit the French company to maintaining the position of the UK facilities within the new group and to allowing some degree of Government surveillance. The Department of Industry is believed to be working towards demands of this nature at the moment. He could not believe he added, that the British Government did

not appreciate the opportunities offered in entering one of the leading European motor companies.

On the question of PSA's ability to control the British unions, he stressed that both sides had a common goal to develop the company. Once an agreement was reached with the British Government, detailed talks would be held with the unions. But the main responsibility for running the Chrysler subsidiary would remain with the subsidiary management. PSA had no intention of taking over this role.

Indeed, one of the main messages to emerge from the news conference was the strength of Peugeot's commitment. The organisational structure which M. Parayre outlined for the new group is designed to maintain Chrysler in very much its present form for the time being. This is similar to the process which was followed when Citroen was recently absorbed into the group. At the centre there is a strong staff function, particularly on

the financial side. But the subsidiaries—initially the Peugeot and Citroen manufacturing facilities, plus the component interests and now Chrysler—are expected to manage their own business.

This will mean that the Chrysler model range and marque name will be retained, rather in the way that General Motors maintains a cluster of separate marques made by its different manufacturing companies. The interesting point about this concept is that it flies in the face of much of the conventional wisdom in the European industry, where Ford, with its ruthlessly rationalised range of cars, is usually presented as the ideal model.

Our policy is not to eliminate models in any of the operating companies in order to make room for cars in the rest of the group," said M. Parayre. "We have not done this in the case of Citroen, although we were criticised for our large range. We accept this wide range because we think it gives us an advantage in meeting the needs of our clientele and in the development of our marketing network."

Among the other points covered by M. Parayre were: The Chrysler truck interests in Spain and the UK were an "important resource," which it was PSA's "intention to support and develop. He indicated that these facilities would be left within the Chrysler subsidiary for the time being at least, and not merged with the group's other commercial vehicle activities. The recently announced deal between Peugeot and Fiat on the manufacturing of a new small van in southern Italy would not be affected in any way.

The intention is to expand the group's activities in Spain, where it already has a combined market share of well over 30 per cent. Peugeot's arrangements to make and sell its 504 model through the Spanish Citroen company will continue.

The group has ambitions to develop in the U.S., but is likely to concentrate first on the absorption of Chrysler Europe. The measures, announced by M. Andre Giraud, the Industry Minister, and M. Rene Monory (himself a garage owner), the Economics Minister, mark a further step in the policy of Prime Minister Raymond Barre of introducing price freedom for industrial goods and making industry more competitive.

They also respond in part to the criticism of the protection of the French market for petroleum products made by the Brussels Commission.

The main steps are: On September 1, 1978, all restrictions on the prices of heavy oil and naphtha are dropped.

On January 1 next year, for 12 months, domestic fuels, diesel and petrol will be subject to a variable maximum price. On



M. Parayre would not indicate where the company hoped eventually to sell its cars through Chrysler's U.S. network, but said that "at the appropriate time we shall seek out the appropriate channels."

The PSA group is already talking with Chrysler about contracts on the components side. At the same time, the French company is very interested in Chrysler's work in the development of micro-processing for automotive uses, where it is one of the leaders in the world industry.

contracts which both Chrysler UK and Peugeot have at present to sell cars in kit form to Iran will be maintained on their present basis. Iran National, the manufacturing company concerned, is keen to have alternative sources of supply.

The one big question which M. Parayre could not answer yesterday was how soon the deal would be consummated. That depends on the British Government and, possibly, the intervention of a political element in the affair if the UK runs into an election period.

But, in his own quiet way, this former French bureaucrat could hardly have gone further towards reassuring British interests about Peugeot's intentions in the UK. He clearly indicated that a British element is an important and integral part of Peugeot-Citroen's bid to emerge among the leaders in the world's motor industry.

Suarez acts to quell dissent in security forces

MADRID, August 31.

TWO SENIOR Interior Ministry officials were dismissed today as the Government of Sr. Adolfo Suarez cracked down on dissent within the security forces.

Government orders appeared in the official state bulletin removing Sr. Gonzalo Cerrillo from his job as Commissioner General of Documentation, and Sr. Jose Luis Fernandez Dapico from his post as technical head in the Public Order Secretariat.

Interior Ministry officials said the two men had been dismissed for writing an article in a police magazine in defence of a right-wing police chief sacked some time ago.

The dismissals coincided with the suspension of five senior police officers for publicly criticising the Government's alleged failure to combat guerrilla violence. Two policemen and two para-military Civil Guards-

men were shot dead last Monday in separate but apparently co-ordinated attacks across northern Spain.

The so-called political wing of the Basque separatist group ETA last night claimed responsibility for one of the murders and said it would join the group's military faction "in an offensive against the repressive (security) forces which will last until they are dissolved."

The extremist group GRAPO has claimed two of the other killings, and a previously unknown "anti-capitalist" group the fourth.

The attacks outraged sectors of the police, and the Policemen's Association, which represents about 85 per cent of the 40,000 strong force, accused the Government of weakness and leniency. Reuter

Bonn bid to lift immunity of MP over spying claim

BY JONATHAN CARR

BONN, August 31.

IN A new and potentially serious turn in West Germany's latest spying case, the Bundestag is to meet tomorrow in special session to discuss raising the Parliamentary immunity of one of its members.

The action was requested today by the federal attorney general's office, which is investigating allegations of espionage in Bonn understood to have been made by a high-level Romanian defector to the West.

Parliamentary approval is required to raise immunity or even to permit restriction of the personal freedom of a deputy.

For example through the search of his office.

The deputy whose immunity is involved, Dr. Uwe Holtz, a member of the ruling Social Democrat Party (SPD), said he was astonished at the news.

am no agent. That is all rubbish," he said in a Press interview. Dr. Holtz, aged 34, to meet tomorrow in special session to discuss raising the Parliamentary immunity of one of its members.

Yesterday the SPD announced that the personal aide to its business manager, Herr Egon Bahr, was also under investigation in connection with the spying allegations. The aide, Herr Joachim Brouder-Groeger, aged 34, was giving authorities all reasonable help and meanwhile remained at his post.

This announcement in turn followed Press reports that Mr. Ion Pacepa, a Romanian Government official who vanished in Cologne in early August, has been passed information on to the CIA about Romanian secret service activity in Bonn.

Italian Cabinet to review economic recovery plan

BY PAUL BETTS

ROME, August 31.

THE NEXT few weeks are likely to be crucial ones for the minority Christian Democrat Government of Sir Giulio Andreotti which is scheduled to review at a Cabinet meeting tomorrow its proposed three-year economic recovery plan.

The Government now has only 30 days to submit to Parliament its three-year economic programme and next year's provisional budget. However, there are already signs of disagreement over the detailed economic proposals among Cabinet ministers, the political parties directly supporting the Government and the trade union movement.

In its broad outline, the plan entails steps to reduce Italy's substantial public sector deficit, keeping it within a 1,350,000 billion lire (1979 acceptable to the International Monetary Fund). The plan also aims at encouraging job-creating investments and higher growth without worsening the current annual inflation rate of between 12 and 13 per cent.

To curb public expenditure, the Government proposes a series of clearly political and socially sensitive reforms in the

country's pensions system and social welfare structure. At the same time, to promote productivity and export competitiveness, the Government is pressing the unions to moderate wage claims during the course of forthcoming negotiations of a series of major three-year national labour contracts.

These contracts involve some 6m workers, including the metal and engineering workers whose national contract has traditionally been regarded as setting the course for the negotiations in other important sectors.

Although some union leaders have recently indicated their willingness to meet some of the Government's requests, the Labour movement as a whole still appears divided over a number of controversial issues.

Sir Andreotti is to hold talks during the next few weeks with political and union leaders to seek overall consensus for his economic programme and the 1979 budget.

Moreover, there is additional pressure on the Government to avoid further delays in getting its programme approved in view of the arrival in October of an IMF team to finalise a standby facility for Italy and subsequent negotiations with the European Community for a further loan.

Dutch wages rising faster than forecast

By Charles Batchelor

AMSTERDAM, August 31.

WAGES ARE rising faster in Holland than originally forecast and are expected to lead to a 11.1bn (\$460,000) increase in government income tax revenues in 1978. This could lead to a reduction in the large budget deficit, but the higher revenue will be partly offset by the increased wage bill for public authority workers, the Finance Ministry said.

Originally, wages were expected to rise by 7 per cent this year but the increase may now be around 8 per cent. This is due to the effect of promotions, job changes and extra increases on top of rates negotiated in central wage agreements. The Finance Ministry forecast last September that income tax revenue would be fl 35.3bn (\$16.3bn) this year.

The Ministry recently raised its estimate of the government financing requirement in 1978 by fl 1bn to fl 13.6bn. It is unlikely to be about 51 per cent of fl 1 bn to fl 13.6bn. It is unlikely, however, that the net effect of the higher tax revenue will be enough to compensate for this upward revision.

Any reduction in the Dutch budget deficit—which is forecast to be about 51 per cent of national income this year—would help. But high wage costs have been a major factor in the problems facing Dutch exporters.

France to ease controls on oil

BY DAVID CURRY

PARIS, August 31.

THE FRENCH Government has plans to dismantle much of the 50-year-old system of tight state supervision of the import of crude oil and distribution of petroleum products.

It is ready to "expand" the insistence that half the French market be reserved for French oil companies; it is introducing the system of automatic adjustment of the ex-refinery price of petroleum products in relation to the world price of oil and currency movement; and it is liberalising petrol and fuel prices from control to encourage competition.

The Government is, however, retaining the practice of fixing an annual quota for oil imports, although the implementation of this system will be much more flexible.

The measures, announced by M. Andre Giraud, the Industry Minister, and M. Rene Monory (himself a garage owner), the Economics Minister, mark a further step in the policy of Prime Minister Raymond Barre of introducing price freedom for industrial goods and making industry more competitive.

They also respond in part to the criticism of the protection of the French market for petroleum products made by the Brussels Commission.

The main steps are: On September 1, 1978, all restrictions on the prices of heavy oil and naphtha are dropped.

On January 1 next year, for 12 months, domestic fuels, diesel and petrol will be subject to a variable maximum price. On

Lisbon Ministers' denial

BY JIMMY BURNS

LISBON, August 31.

THREE MINISTERS from Portugal's new administration today denied any links with the Communist Party.

The three—Sr. Carlos Correia Gago (Foreign Affairs), Sr. Antonio Costa Leal (Labour), and Sr. Acacio Pereira Magro (Social Affairs)—were interviewed by the State-owned newspaper Diario de Noticias and the conservative right-wing weekly publication Tempo, following allegations made yesterday by the Conservative Party (CDS). It claimed that they had "pro-Communist sympathies" which seriously placed in question the political neutrality of Portugal's recently formed Government of "independents and technocrats."

Sr. Gago, who takes over from

a Conservative Minister in the previous Government, said that he "had always been totally independent from all the political parties and stressed that foreign policy would not differ substantially from that pursued by the previous administration."

Sr. Gago, chairman of Petrolgal, the nationalised oil company, stressed that he would respect Portugal's commitments stemming from its present membership of NATO and from its future entry into the EEC.

Conservative criticism of certain Ministries led to the collapse of their six-month alliance with the Socialists last 45 days.

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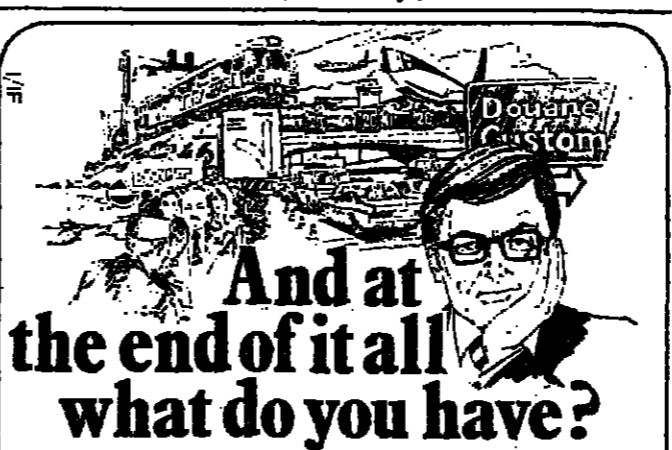
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The undersigned herewith announces that notice has been received from Pioneer Electronic Corporation, by letter dated 24th July, 1978, that it will redeem by payment on 20th September, 1978 all of the 6 1/2 per cent Convertible Debentures due 1988 outstanding on that date.

Pursuant to the provisions of article 3 of the Trust Deed dated 20th March, 1974 the Debentures will be redeemed at 104 per cent of the principal amount together with the accrued interest from 1st October, 1977 to and inclusive 1st September, 1978 and will cease to bear interest from 20th September, 1978.

Payment of interest and premium and repayment of the principal amount of the Debentures will be made in accordance with the provisions of article 2 of the Trust Deed at

Pierson, Holding 3 Pierson N.V. in Amsterdam as Paying Agent, and The Bank of Tokyo Ltd. in Brussels, Paris, London and Düsseldorf, and The Bank of Tokyo Trust Company in New York City as Sub-Paying Agents

against surrender of the Debentures with all unmatured coupons attached.

Pursuant to the provisions of article 4 of the Trust Deed Debentures called for redemption may be converted into shares of Common Stock of Pioneer Electronic Corporation up to and including, but not after the close of business on, the date set for redemption. Surrender of Debentures for the purpose of conversion shall be made at the Paying Agent or any of the Sub-Paying Agents.

No Debentures will be accepted for conversion if presented for that purpose after the close of business on 20th September, 1978.

The current conversion price is yen 780. The closing price of the shares of Common Stock of Pioneer Electronic Corporation on the Tokyo Stock Exchange on 24th July, 1978 was yen 1750 and the high and low closing prices in 1978 through 24th July were yen 1940 and yen 1210 respectively.

N.Z. 7th August, 1978

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EUROPEAN NEWS

Protest strikes shut Danish shipyards

BY OUR OWN CORRESPONDENT

MOST DANISH shipyards were on strike today in protest against the formation yesterday of the Social Democratic-Liberal coalition government. There were calls from a variety of unions and shop stewards organisations for protests, demonstrations and "active opposition" to the government. Copenhagen building workers plan a mass demonstration outside Parliament tomorrow.

Prime Minister Anker Joergensen, meanwhile, made a short policy declaration to a special session of Parliament this afternoon. It will form the basis of debate tomorrow and Parliament will remain in session over the weekend to rush through legislation increasing value-added tax from 18 per cent to 20 per cent with effect from October 1, and imposing an immediate freeze for six months on prices and profit margins.

The freeze will mean that only wage increases agreed in last year's collective wage settlement can be passed on in prices, while the employers must bear the cost of any other wage increases by squeezing their margins.

In his speech today, the Prime Minister appealed for co-operation from other parties as well as from labour market organisations for implementing the new

COPENHAGEN, August 31.

Government's economic stabilisation programme.

He stated that Denmark supported the European currency stake and intended to work for the furtherance of European monetary co-operation, which was seen here as following up the statement by the Prime Minister last week in which he categorically denied that the Government was considering a devaluation.

The strike wave which appears to be developing is likely to be short-lived. Under the terms of the collective wage agreements, workers will be subject to fines if they stay out for more than two days.

Joergensen defies unions

BY HILARY BARNES IN COPENHAGEN

PRIME MINISTER Anker Joergensen's formation of a Social Democratic-Liberal coalition has transformed Danish politics. He has not only brought together for the first time this century the two chief antagonists of Danish politics, he has also acted in the teeth of bitter opposition from the union movement. Implicitly he has declared that it is the SDP parliamentary party and not the powerful TUC which is going to run the country.

"I will not deposit my freedom of manoeuvre with any pressure group whatever," Mr. Joergensen declared at the start of the negotiations.

By comparison with his stand against the unions, the fact that his alliance with the Liberals has also split the non-Socialist opposition wide open appears less epoch-making, but it clearly represents another victory for the Prime Minister.

The average Dane appears to be somewhat amazed by Mr. H. Joergensen's move and many are convinced that he has formed the kind of Government which the country needs. But there is another view, which suggests that the Prime Minister's troubles are only just beginning.

The TUC chairman, Mr. Thomas Nielsen, has predicted that the Government will survive for no more than six months and has promised trouble on the labour market over the renewal of the two-year collective wage agreements next spring.

partly a well-known personal animosity between Mr. Nielsen and Mr. Joergensen, who is himself an ex-chairman of the General Workers Union. It also partly reflects the increasing politicisation of the TUC which has built up its own staff of experts and taken to initiating and promoting policies on a wide range of topics.

In the deal with the Liberals, the SDP dropped union-inspired tax reform and housing reform plans, the one anti-business other anti-home owner, as well as ignoring a union demand for a start to a scheme for compulsory workers' co-ownership. These three plans were the union

movement's conditions for accepting wage restraint.

In the end the relationship will have to be patched up, if only because the SDP is dependent on the unions for financial support. But in the meantime Mr. Joergensen's strength is that neither the unions nor the left-wingers in the party group have any other place to go.

Although the SPD-Liberal Government has the support of only 88 members, one short of an absolute majority, it can count on the backing of the four remaining Right-Centre opposition parties. The coalition therefore looks invincible until the election in about two years' time.

Unless, of course, there is a revolt among the Social Democrats but at this stage that seems unlikely.

Assuming that Mr. Joergensen can ride out the wrath of the unions, he and Liberal leader, Mr. Henning Christoffersen (who at 38 becomes the youngest Foreign Minister for at least 60 years) will bring a new element of political stability to the political scene, enabling the Government to pursue a medium-term economic stabilisation programme without fear of being tripped up at every turn.

Since the 1978 election there have been 11 parties in the Folketing, including the anti-tax Progress Party on the Right and three extreme Left-wing parties. The lack of a natural majority of either Left or Right has made the business of Government extremely difficult.

The coalition was formed for the specific and limited purpose of "restoring a better economic balance as a basis for a more satisfactory growth in output and employment," as a joint statement from the parties put it.

Absolute priority goes to reducing the persistent current balance of payments deficit and stabilising the net foreign debt.

East-West arms gap continues to widen

By Our Foreign Staff

THE SOVIET UNION and its Warsaw Pact allies have continued their build-up of armaments and the modernisation of weapons systems, both nuclear and conventional, during the past year, and have thus left NATO further behind in some categories.

But in spite of the East-West arms gap, most notable in the European theatre, the International Institute for Strategic Studies (IISS) still reckons, in its annual report *The Military Balance 1978-79*, that the overall balance is such as to make military aggression in Europe an unattractive option for the Soviet Union.

The main reason for this assessment is that the risks for an aggressor, including that of nuclear escalation, remain incalculable. But NATO's traditional superiority in technology and in training, which in the past has been thought to offset its numerical inferiority, is now much less marked, since the Soviet Union is catching up in a number of areas.

At least 370 new intercontinental Ballistic Missiles (ICBM) have been deployed by the Soviet Union in the past year, some of them with multiple independently targeted warheads (MIRV), and the accuracy of the SS-19 reportedly approaches that of U.S. missiles.

Deployment of the SS-20 as mobile intermediate range ballistic missile (IRBM) has begun, and development work appears to have started on a new family of ICBMs for deployment in the late 1980s.

The deployment of the SS-N-18 means that the Soviet Union now has, for the first time, multiple warheads at sea. While the total number of missiles has remained fairly constant, under strategic arms agreements with the U.S., the mastery of MIRV technology has meant a rapid increase in the number of warheads on the Soviet side. If the entire ICBM force is MIRVed, the number of Soviet warheads could rise from 3,500 now to 7,500 in the early 1980s.

The discrepancy between Warsaw Pact and NATO tank strengths continued to widen, with the Soviet Union adding 7,000 tanks over the year, to bring the total to 50,000.

The Military Balance 1978-1979, International Institute for Strategic Studies, 18 Adam Street, London WC2, £3.

OVERSEAS NEWS

THE AUSTRALIAN ECONOMY

Searching for the golden days

BY DAVID HOUSEGO, RECENTLY IN CANBERRA

IT HAS been some 18 years since Australia last had a recession as bad as the prolonged slow-down that has been affecting the country's economy since 1974. The comparison with the 1960/61 recession is important because senior officials in Canberra recall that it was the restrictive measures taken then that paved the way for the "golden days" of the 1960s.

Mr. Malcolm Fraser's Government is under no illusion that there will be a return to the booming minerals investment of the Menzies era. But it is the prospect of the foreign investment that could flow from an energy scarce world turning to Australia in the 1980s above all for its coal and uranium supplies—which largely lies behind Mr. Fraser's determination to ride out the present rough with a tough fiscal and monetary policy.

Only eight months after his return to power following a massive electoral victory, Mr. Fraser's popularity as Prime Minister is lower than it ever has been during his two and a half years in office. The recent budget brought a series of noisy street demonstrations against increases in personal and indirect taxes which Mr. Fraser in his election campaign had promised to reduce.

His credibility in the Cabinet and in his own Liberal Party has for the moment been undermined by his mishandling of the sacking of Senator Withers from the Government and accusations of disloyalty to colleagues. The Telecom strike—which disrupted telephone and telex communications lately—seems likely to be the prelude to further confrontations with the unions.

If these controversies have caught Mr. Fraser by surprise, the hostile reaction to the budget was predictable. In managing the economy his first priority has remained the cutting away of what he sees as the ballast left by the Whitlam years of high public spending and of increases in wages well above the level of increases in productivity.

Inflation has been brought down from 13.4 per cent on an annual rate in mid-1977 to 7.9 per cent in June this year. The Government is looking for a drop to 5 per cent by mid-1979 and an even lower rate after that. Interest rates as measured by 30-year Commonwealth bonds have fallen from 10.48 per cent in June 1977 to 9.10 per cent in June this year with expectations of a further decline.

This has been achieved by keeping the budget deficit to significantly below last year's level at A\$1.87bn through a pruning of capital and current

expenditure and increases of revenue from higher taxes. The cost is that the registered unemployed reached a record of 411,700 at the end of June—that is 6.5 per cent of the labour force.

Behind this stringent package lies Mr. Fraser's faith in the view that once the "underlying factors" of the economy (low inflation and interest rates) have been corrected, then consumer and investor confidence will pick up. He was pleased by the favourable response given to the budget on the Sydney stock exchange and above all in the overseas financial markets. He is looking to a large inflow of private capital to help offset a current account deficit that for the financial year could run to A\$3bn (compared to A\$2.4bn in 1977/78).

The charge of economic mismanagement that he levels most heavily against Mr. Whitlam is that by losing control of the money supply he provoked a loss of confidence in the currency and an outflow of capital that severely strained the balance of payments.

To judge from his public utterances, Mr. Fraser is determined to keep the screws firmly on the economy. He is characterised by Mr. Bill Hayden, the Labour opposition leader, in his reply to the Budget as "a renewed strains on the current account. Of the two dangers, it is the strain on the balance of payments that worries officials most."

But beyond these immediate concerns, Mr. Fraser's strategy

of being resisted on the grounds that it was Mr. Whitlam's expansionary measures that have priced so many Australians out of their jobs.

Mr. Hayden's attack, however, reflects growing criticism of this strategy as offering only limited prospects of recovery at the cost of an unacceptably high rate of unemployment. The Government is pinning its hopes on a modest revival of consumer demand and a slightly larger pick-up in investment to achieve a 4 per cent growth in non-farm product this financial year as against 1.8 per cent in 1977/78.

This could be optimistic. Melbourne University's Institute of Applied Economic and Social Research, which believes that Australia could be heading for a long-term recession of present policies, is forecasting a 2.5 per cent growth in non-farm GDP with unemployment climbing to 500,000. In any case any pick-up in growth would run into two familiar constraints.

Any pick up in activity is likely to be accompanied by further pressure for wage increases to restore the differentials between jobs and between manufacturing sectors eroded by the present policy of indexation. It is also likely to be accompanied by an increase in imports putting roads. And further tax concessions cannot be ruled out. A faction within the Liberal Party (and certainly within the Treasury) would like to see cuts in welfare payments to make room for more capital expenditure.

At the same time, the Government-sponsored commission on the restructuring of industry under Sir John Crawford is expected to argue forcefully that continuing recession will make more difficult the adjustments which all parties agree are necessary. The uncompetitiveness of much of the manufacturing sector—cars, textiles and footwear in particular—is a major liability to the rest of the economy.

The pace at which neighbouring Asian economies have been growing and the speed at which their industries have been absorbing new technology has come as a shock to many Australians. This is not only making irrelevant present policies over aid and security in South East Asia—it is also providing a frightening glimpse of how far areas of Australian industry are slipping behind. The resources boom that Mr. Fraser anticipates for the 1980s is matched by growing anxieties about the future of Australia's labour-intensive, high cost and overprotected manufacturing sector.

Nixon visit 'inopportune'

The Australian Government has turned down a request by former U.S. President Richard Nixon to make an official visit to Australia in September because it would be inopportune, according to officials, Renter reports from Canberra. Mr. Nixon, who resigned after the height of the Watergate scandal in 1974, made the approach about the Australian trip through the Australian Embassy in Washington last month.

But he has been told that a visit to Australia next month would be inopportune because of a heavy programme of official visits from overseas dignitaries, the officials said. The proposed trip would have been classed as an official visit as the ex-President had asked for meetings with the Prime Minister, Mr. Malcolm Fraser, and the Foreign Minister, Mr. Andrew Peacock.

Australia's reply to Mr. Nixon's request was made

after consulting the present Administration in Washington which indicated it was not concerned either way, the officials said. Mr. Nixon had planned to visit Sydney and Canberra with his wife Pat during their stay of two or three days. He may also have visited New Zealand and other Pacific countries, according to diplomats.

A spokesman for the U.S. Embassy in Canberra said that although Mr. Nixon's request to make an official visit had been turned down, it was open to the former President to apply to come here through normal channels as a tourist. An invitation to make an official visit is sometimes extended to former heads of government, and means the host government is involved in arranging hotels, travel, security, and official functions. The Embassy spokesman declined to make any comment on the Government's decision.

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HOME NEWS

Company audit liaison concept criticised

Financial Times Reporter

ARGUMENTS IN favour of non-executive directors and the related subject of audit committees on which they would serve have been challenged in a study of the workings of British companies published yesterday.

The study, by Mr. Bob Tricker, director of the Oxford Centre for Management Studies, is the latest contribution to the debate about mandatory introduction of audit committees, which would liaise between auditors and management. These committees are common in the U.S. and Canada, and have recently been established by several large British companies.

Mr. Tricker, in a book entitled *The Independent Director*, says that the subject is insufficiently understood and that proposals for legislation are premature and naive.

He concludes that in non-proprietary companies non-executive directors should be completely independent to be effective. While there are appropriate opportunities for introducing audit committees, there was no case for universal adoption.

Audit committees could be useful as part of an effective company organisation, but would not prevent abuses. There were alternatives which might be equally effective in fostering good corporate direction and securing the position of outside directors and auditors.

Research for Mr. Tricker's book was commissioned by the accountants Deloitte Haskins and Sells.

The Independent Director, by R. I. Tricker, Tolley, £4.50.

Volunteers will boost worker co-ops

By John Elliott, Industrial Editor

A CAMPAIGN to encourage creation of worker co-operatives has been launched by the Scottish Co-operatives Development Committee.

It coincides with the national Co-operative Development Agency set-up by the Government, formally starting its work today. The agency is intended to cover all forms of co-operatives but will be concentrating on worker enterprises.

The Scottish committee, formed by Scottish supporters of the co-operative movement, is one of several regional organisations being established by volunteers around the country.

Its campaign, which will include setting up a "register of talents," is aimed at finding people who are interested in starting co-operatively owned ventures.

The campaign will bring together able people with complementary skills and will provide them with advice and practical help, Mr. Cairns Campbell, the committee's development officer, said yesterday.

University to study ferries

THE WELSH OFFICE has agreed to sponsor a study of the economic benefits to Wales of the ferry services linking Wales and Ireland.

The project, which will be carried out over two years at University College, Bangor, will cost £13,000. It will analyse the direct employment and trading effects which result from the ferry activities and the impact on the surrounding regions.

Coal output falls as productivity rises

BY JOHN LLOYD

OUTPUT OF coal is still falling after nearly nine months of what the National Coal Board describes as successful operation of the miners' productivity scheme. However, fewer miners are employed and fewer pits are in operation.

Figures from the Department of Energy show production in the three months from May to July of 29.7m tonnes, nearly 1 per cent lower than the 30m tonnes produced over the same period last year.

Deep-mined output fell by nearly 2 per cent, or 500,000 tonnes. Open-cast production increased by 4.1 per cent, or 200,000 tonnes.

The board confirmed the trend with figures over a longer period, from April 1 to August 12, showing total output in that period of 43.2m tonnes, as against 43.7m tonnes in the same period last year.

It attributes the reduction to a sharp fall in the numbers of miners employed—from 243,269 in August 1977 to 238,903 now. Also, six fewer pits are being worked this year.

Less used

Overall output per man shift has increased over the year, but only marginally. The average over the April-August period was 2.19 tonnes, against 2.15 tonnes last year.

Face output per shift has increased more sharply, from 7.81 tonnes last year to 8.52 tonnes this. The board says that the trend continues.

Energy Department figures show that coal consumption fell even more sharply than production in the May-July period—by 800,000 tonnes, or 2.9 per cent. Power station consumption increased by 200,000 tonnes but coke oven use continued to decline, by 700,000 tonnes or over 15 per cent.

As a result stocks have continued to rise, and now stand at over 32m tonnes (distributed and undistributed), up 3m tonnes on last year.

Elsewhere in the energy sector, figures show that:

• North Sea oil production for the first six months of the year reached 34.2m tonnes, up 40 per cent on the same period last year.

• Electricity supplied in the first half of 1978 was up 1.7 per cent on last year's first half.

• Natural gas supplied to the public system in the three-month period May-July was 2.5bn therms, down 1.5 per cent on last year's period. Supplies from the North Sea, down by 6.9 per cent 191m therms, were aided by gas imported from the Norwegian sector of the Frigg field.

Deadline problem costs British Shipbuilders £4m

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

BRITISH SHIPBUILDERS has been forced to turn down a possible £4m contract to refit a cruise liner for the Peninsula and Oriental Steam Navigation Company because it could not meet the shipowner's delivery deadline.

Instead, the refit contract, subject to detailed negotiations, has gone to Bremer Vulkan, the Bremen-based German shipyard.

P & O said yesterday that it would have preferred the work to have been done in a British yard—because this would have made supervision of the contract simpler, but others were not forthcoming.

The British Shipbuilders repair yard with which P & O has its closest relationship, Vosper Shiprepairs, Southampton, said it was unable to meet the required completion date for refitting the Sea Princess next January because of contracts undertaken on two other P & O liners and on the QE2.

P & O also talked to British Shipbuilders centrally about finding a yard for the work, but even shipyards such as Swan Hunter on Tyne, which is desperately short of work, were unable to take on a contract almost entirely involving outfitting work.

Swan Hunter, although facing the prospect of more redundancies among steelworkers, has a heavy programme of outfitting on the ships it is building for the Navy.

The Sea Princess, formerly the Kungsholm, is due to make its maiden voyage for P & O from Hong Kong to Sydney on February 16.

P & O is studying options for its next generation of passenger liners and has held talks with shipbuilders in Italy and Finland about construction contracts.

These discussions are at an early stage, with most of the initiative coming from the order-hungry yards. The shipyards see the possibility of a series of passenger ships as one way of surviving the deepening crisis in world merchant shipbuilding.

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Weather blamed for beer output fall

By Kenneth Gooding

BEER PRODUCTION fell 7.8 per cent in July compared with the same month last year. It was the worst performance in any July since 1972 and the Brewers Society last night put the blame on the poor weather.

However, the society said: "August production is likely to be better because sales in holiday resorts are expected to compensate for the gloomy performance elsewhere."

Production in July was 3,409,069 bulk barrels (roughly 67m pints). A big downturn was expected after the improvement in June when output jumped nearly 9 per cent. That reflected stocking up ahead of the holiday period and hopes for better weather.

In the first seven months of this year, beer production reached 25,230,557 barrels (around 6,680m pints) and was 2.2 per cent ahead of the same period last year.

The brewers would be satisfied to sustain this percentage increase this year in view of the poor summer and the fact that last year production fell by 0.8 per cent—the first drop since 1965.

Newcastle plant for brewers

By Our Industrial Correspondent

SCOTTISH AND NEWCASTLE BREWERIES is to spend £5m on a new packaging plant at its Tyne brewery in Newcastle.

The group had an option on a site at Washington, County Durham, for the plant, but this has now been dropped. Changes in road development plans in Newcastle have made space available at the brewery.

Scottish and Newcastle, sixth-largest of the UK brewers, also revealed yesterday that it was looking for a site for a south Tyne retail distribution depot.

But it refused to be drawn about any plans for a new brewery in the south east of England: "We have adequate brewing capacity to see us through to the mid-1980s," the group said.

This suggests, however, that Scottish and Newcastle will have to start work on a new brewery in about 1980.

The £5m packaging project will be started in the autumn and is due for completion by 1981. It will give the group more flexibility in packaging as it will be able to handle 11, 26- and 32-gallon containers.

Scots council scales down marina plan

A £1m MARINA project on the Clyde estuary suffered a setback after a council refused planning permission.

Mr. Bill Mackay, a Glasgow businessman, and unnamed associates, proposed a 300-berth marina at Craigendoran pier, near Helensburgh.

Dumbarton District Council refused permission because the development "would cause additional road congestion." An alternative plan by Craigendoran Harbour Company for a smaller 80-berth marina was approved.

More profit in forwarding

By Our Transport Correspondent

FREIGHT FORWARDERS can expect higher profit in the next three years, according to a report on the industry from Inter-Company Comparisons, which examines the performance of 60 companies in the three years ended April 1977.

Profitability, as measured by profit on total assets, fell by 23 per cent to 7 per cent. Fixed assets expanded by over 50 per cent.

Average return on capital was 27.6 per cent, but only nine of the companies showed profit margins exceeding 5 per cent in the last year of the survey.

Freight Forwarders, ICC, 81 City Road, London EC1 1BD, £44.

Stocks finance rises sharply

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE AMOUNT of additional finance needed by industry to increase the physical level of stocks will be smaller in the second half of this year, not least because of the current squeeze on bank lending.

The main change in the second quarter occurred in manufacturing industry where the increase in the book value of stocks was £992m compared with £487m in the previous three months. This in turn reflected rises in the volume of stocks of £191m and £71m respectively.

Fixed capital spending by industry showed a much smaller change at current prices during the first half. The manufacturing, distributive and service industries spent £3.03bn on new buildings, vehicles and plant and machinery in the April-June period, compared with £3.02bn in the previous three months and a total of £11.03bn in 1977. Spending by manufacturing rose from £1.32bn to £1.35bn at current prices.

The sharp rise in the amount required for financing stocks implies a substantial drain on the cash resources of industry and probably means that the company sector remained in financial deficit in the April-June period. This is consistent with the rise in bank lending to industry.

The change principally reflects the continued large rise in the volume of stocks held by industry. As announced last week, the physical level of industry's stocks rose by £278m at constant 1975 prices in the second quarter, compared with an increase of £266m in the previous three months.

The continuing rise in stocks has been slightly puzzling in view of the sharp pick-up in the consumer demand. Most forecasters have projected the growth of retained profits.

Although the increase in physical stocks is expected to be smaller, book values at current prices may be boosted by the forecast acceleration in the inflation rates.

The view of many City analysts is that the financial deficit of the company sector will rise during the next year because the increased amount needed to finance the rise in capital investment and stocks is projected to outstrip the growth of retained profits.

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Call to abolish double-pricing on cost of beds

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE PRICE COMMISSION retailers did not pay the trade list price for beds. The average discount for retailers on trade prices for beds to end the common practice among retailers of selling them at apparently large discounts.

The commission, in a report on the price of beds, found that "many recommended retail prices for beds have become so widely detached from actual selling prices that they are rarely, if ever, charged." Discounts claimed by retailers of between 40 and 50 per cent were commonplace, the commission found, with no apparent reduction in the profit margin earned by retailers.

The report says that nearly half the beds sold in the UK are subject to double pricing—a recommended price and an actual selling price. This was "detrimental to the consumer interest in that they are likely to be misled by purchasers into making false price comparisons either between manufacturers or between shops."

The commission's survey of prices for beds found that in only 8 per cent of cases was the full recommended retail price charged, and, in nearly half of cases, the claimed discount was 30 per cent or more. Yet, the commission found that "no one shop type was consistently cheaper than the others either for any particular model of bed or, more generally, across a range of beds."

Investigation by the commission also revealed that most by retailers.

While the commission found that many manufacturers and retailers acknowledged that the present system brought the industry into disrepute, many felt they were "locked in" to the situation.

The only practicable solution the Price Commission believes would be complete banning of recommended retail prices for beds. Only a few exceptions, such as genuine sale periods, should be permitted.

price comparisons be published by retailers.

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A range to remember:

- Earthmoving equipment.
- Large mining plants.
- Processing plants and machines.
- Cranes.
- Cargo handling vehicles.
- Passenger conveying systems.
- Rail vehicles.
- Shipbuilding.

O&K since 1876.

Highlights of the Report and Accounts submitted by the Board of Management of O&K Orenstein & Koppel AG to shareholders at the Annual General Meeting on 29th June, 1978:

Review

1977 was a year of modest growth for the Federal Republic of Germany; the long expected economic upturn did not materialise; demand by investors and consumers fell far short of expectations and the sluggish economy in Western industrialised countries failed to stimulate German exports.

The wide range of the Company's products once again proved its worth during the business year 1977 and helped to offset weaknesses in individual customers and markets. Though exports played a major role in the Company's business, export orders dropped towards the end of the year under review mainly because of the steep rise in the value of the D-Mark.

Turnover rose by 15.4% to DM 1.011bn during the year, domestic turnover falling by 4% and exports increasing by 30%. As a result exports accounted for 62% of the Company's business during the year compared with 55% in 1976.

Group turnover at DM 1.15bn, including the figures of our export company and our foreign production and distribution companies but excluding inter-company business, was 7.5% up on 1976.

At DM 870m the total of orders received by the Company in 1977 was only marginally above the figure for the previous year; 53% of orders booked in 1977 came from abroad.

Earth-moving machinery once again represented the largest component of turnover as a whole, accounting as it did for 51%. Turnover in this sector rose by 17% to DM 519m during the year, largely because of increased exports to countries outside Europe.

Shipbuilding: turnover was up by 14% on the previous year. Though a few repeat orders were secured during the year, the prices that had to be accepted to maintain employment in the shipyard were substantially below overall costs. Whilst internationally the situation of the shipbuilding industry gives rise to particular concern, the extensive know-how of the Company's own yard in building specialised vessels and floating dredgers will, it is hoped, enable it to continue operating, though at a substantially lower level.

Turnover in general engineering rose by 18% to DM 258m, mainly because of progress in the field of open-cast mining equipment and forklift trucks. Sales of escalators remained at the level of the previous year with an increase in foreign business.

Turnover in locomotives and rolling stock was just below the level of 1976, with the order book

at the end of the year showing an increase over the previous year.

In December 1977 O&K acquired the United Lift Company Ltd. of Keighley, in West Yorkshire. This company, which has been active in the field of lifts and hoists for decades, currently employs 600 people. Since 1972 they have acted as distributors and provided maintenance for the escalators and travellers manufactured in Britain by O&K Escalators Ltd., Keighley. The range of lifts manufactured by United Lift represents a valuable complement to our own production range, and the marketing of escalators in Britain can be streamlined as a result. Apart from the network of foreign distributors, together with O&K Orenstein & Koppel Canada Ltd., Dundas, and O&K Escalators Ltd., Keighley, the company now has a total of three manufacturing plants outside Germany.

The rise in turnover thanks to the improvement in the Company's export business, the high level of employment maintained in its plants and further successes in streamlining production have produced a satisfactory result overall.

Finance, Profit, Dividend

Finance needed in 1977 totalled DM 232.2m, including investments of DM 60m, and was covered mainly by increases in capital and reserves and by depreciation of DM 35.8m. The disposable profit for the year totalled DM 7.26m and it is accordingly proposed to distribute a dividend of 11% on the old share capital of DM 60m together with a dividend of 5.5% on the new shares relating to the DM 12m capital increase in 1977.

For shareholders resident in the FRG the amount increases due to the reform of corporation tax by the tax credit, to DM 17.19 per share, and DM 8.59 for the new share.

Staff

The number of people employed rose by 515, or 6%, to 9,569 at the end of the year under review. In view of the situation on the labour market the proportion of foreign workers showed a steep drop. The number of training places was raised by 11% to 562 during the year under review, and wage and salary scales were increased by 6.9% on 1st January 1977. Expenditure under this heading accordingly rose by DM 48.3m, or 14.7%, from DM 315.3 in 1976 to DM 361.6m last year.

Prospects

HOME NEWS

Callaghan plans to keep another 100,000 off dole

BY RICHARD EVANS, LOBBY EDITOR



Mr. Callaghan reads the Financial Times on his way to Birmingham: "Concern is to preserve and create jobs..."

N OPTIMISTIC assessment of the Government's job creation measures in the present financial year is estimated at £115m, it was disclosed in an all-party Commons Expenditure Committee report yesterday.

This figure, supplied to the committee by the Government, was less than a sixth of the £710.5m gross cost of the measures.

Officials estimate that most of the gross expenditure would have been incurred anyway if the individuals helped had become unemployed.

According to their calculations the average real cost of providing or retaining each job was only £250 compared with the gross cost of £1,590.

The net total was reached after taking the saving on unemployment and supplementary benefit into account, as well as the income tax and insurance contributions which the Exchequer otherwise would not have received.

Another factor taken into account in estimating the net cost was the "displacement factor," whereby jobs preserved among employers, local authorities, development agencies, the Manpower Services Commission and the Department of Employment.

With the continuing recession and high levels of unemployment, such closures were likely to continue and to present increasingly difficult problems.

The committee said: "It is vitally important, both from the point of view of reducing unemployment and for the well-being of the communities concerned, that closures of this kind should be as far as possible be foreseen and that measures

Thatcher in push for quick election

BY RAY PERMAN, SCOTTISH CORRESPONDENT

IRS. MARGARET THATCHER attempted yesterday to close the time Minister's options over the general election date with a treat to bring the Government down if it tried to run for another session.

During a visit to the Scottish Highlands she repeatedly stressed her impatience for the election to come, and said that if Mr. Callaghan tried to carry on in office the Conservatives would seek support from minority parties to defeat the Government in the Queen's Speech.

"Then we would see who ultimately wanted to keep an official government in power, and who is prepared to face the electorate."

Talking to party workers, she introduced the notion of the "entitlement society," a new loss on the old theme of too much emphasis on state hand-outs and too little on building individual self-reliance.

Her visit to Berwick and East Lothian, a Labour marginal, was lanned in the spring. With unaffected Liberal and Scottish

Another 230 to lose jobs at Whessoe

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

THE LATEST victim of the world steel crisis is the Stockton works of the Whessoe engineering group where there are to be a further 230 redundancies, in one, 300 employees were made redundant.

The plant, part of Whessoe's heavy engineering division which employs about 2,000 at four sites, has suffered in two ways.

First, the cutback in the British Steel Corporation's investment programme has led to a demand for the heavy iron and steelworks plant made at Stockton.

At the same time there has been a slump in orders for steelworks fabrication for the process industries. This kind of hardware is being imported from France, Germany and Italy rather than ordered in the UK because of the cheap steel available in those countries.

The Process Plant Association has claimed that continental fabricators have been receiving hidden government support through the availability of subsidised steel.

Mr. W. Smart, group chief executive of Whessoe, said yesterday: "We believe the problems of Stockton are so closely related to those of the world steel industry—and we cannot

New bank branch

HONGKONG and Shanghai Banking Corporation is shortly to open a new office in Waterloo Street in the centre of Birmingham. Although established as a branch of the Hongkong and Shanghai Banking Corporation, this new office will be representative of the whole group in the Midlands.

Aberdeen to have medical unit for divers

BY KEVIN DONE

A PURPOSE-BUILT medical unit to treat the growing number of divers injured in the North Sea is to be set up in Aberdeen.

It will be linked with a centre for offshore medicine which will carry out research and train medical staff.

The move comes in response to a report published yesterday, which claims that the present arrangements for dealing with diving casualties, particularly divers suffering from the "bends"—effects of rapid changes in pressure—are "fragmented and haphazard."

Risks faced by divers could also be reduced by a new set of safety regulations, issued yesterday by the Health and Safety Commission in a consultative document.

This is the first time comprehensive safety standards have been produced to cover all divers at work.

The medical report released yesterday by the Scottish Office was commissioned by Mr. Bruce Milne, the Scottish Secretary, in 1976 to examine the implications of North Sea oil developments for the National Health Service.

It says there is no single recognised centre in Scotland with facilities for treating diving casualties. To date victims have been treated in pressure chambers owned by universities, companies or the Royal Navy.

There are now about 1,500 commercial divers working in the UK sector of the North Sea. They have a high risk job, says the report, and 27 have been killed since 1971. Yet there is

Job creation cost £115m for year

BY DAVID FREUD

THE NET COST of the Government's job creation measures in the present financial year is estimated at £115m, it was disclosed in an all-party Commons Expenditure Committee report yesterday.

This figure, supplied to the committee by the Government, was less than a sixth of the £710.5m gross cost of the measures.

Officials estimate that most of the gross expenditure would have been incurred anyway if the individuals helped had become unemployed.

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Another factor taken into account in estimating the net cost was the "displacement factor," whereby jobs preserved among employers, local authorities, development agencies, the Manpower Services Commission and the Department of Employment.

With the continuing recession and high levels of unemployment, such closures were likely to continue and to present increasingly difficult problems.

The committee said: "It is vitally important, both from the point of view of reducing unemployment and for the well-being of the communities concerned, that closures of this kind should be as far as possible be foreseen and that measures

It said the assistance offered by the Council for Small Industries in Rural Areas was more flexible than that offered by the Department of Industry and that its approach should be applied to other areas.

The priority given by the Government to the encouragement of small businesses should be continued and extended, said the committee. Specifically, efforts should be made, both centrally and locally, to find what greater opportunities existed for small businesses in particular localities.

In inner city areas care should be taken to ensure that even the smallest company received assistance and advice, while co-operation between local authorities, educational establishments and small businesses should be extended.

The problem of large-scale closures should be tackled through closer co-ordination among employers, local authorities, development agencies, the Manpower Services Commission and the Department of Employment.

With the continuing recession and high levels of unemployment, such closures were likely to continue and to present increasingly difficult problems.

The committee said: "It is vitally important, both from the point of view of reducing unemployment and for the well-being of the communities concerned, that closures of this kind should be as far as possible be foreseen and that measures

THE COST OF SPECIAL MEASURES FOR 1978-79

Scheme	Gross cost £m	Net cost £m	Percentage of gross cost	Number of jobs	Net cost per job	Approx. gross cost per job/£	Approx. net cost per job/£
Youth Opportunities Programme	155	34	55	88,000	88,000	1,750	955
Special Temporary Employment Programme	76	30	40	25,000	25,000	3,000	1,200
Small Firms Employment Subsidy	4.5	1.3	30	8,250	2,700	1,650	500
Temporary Employment Subsidy	475	nil	—	470,000	330,000	1,440	nil
TOTAL	710.5	115.3	—	591,250	443,000	1,590	260

Industry in need of more skill says Prior

FINANCIAL TIMES REPORTER

MR. JAMES PRIOR, the Opposition spokesman on employment, yesterday urged the need for higher productivity, but gave a warning that there would be no speedy return to the historically low levels of unemployment experienced in the 1950s and early 1960s.

Speaking at a seminar at Nottingham University, Mr. Prior said that to fight unemployment Britain needed a "highly skilled workforce."

"At present we suffer both high unemployment and a serious skill shortage throughout much of industry," he said.

It was necessary that both sides of industry should work to improve the situation. In particular, he looked to next week's Union Congress for "constructive suggestions and positive ideas," rather than a "tired repetition of old demands for more government spending and a larger public sector."

Britain should look to larger manufacturing industries to increase competitiveness, boost output and sell more, while giving every encouragement to the small concerns and to service industries where there was considerable potential for creating extra jobs.

In the short run low productivity and overmanning might save jobs, but in the long run they would make a country uncompetitive and could put the economy into a vicious circle.

He argued that the "gloom-

Barnett calls for better productivity

FINANCIAL TIMES REPORTER

BRITAIN MUST improve its industrial performance and productivity in order to create more jobs and permit an increase in living standards, Mr. Joel Barnett, Chief Secretary to the Treasury, said yesterday.

The industrial performance of Britain, he said, had been poor for a long time. Promises of improved living standards in an election period would be "so much hot air," unless the trend could be reversed.

Mr. Barnett was speaking in his constituency at the opening of new works and office buildings by Ames Crosta Babcock. He said he understood fears that higher productivity would mean fewer rather than more jobs. But these fears were "misplaced."

He said: "Not only will it be possible to sell more of our goods in competition with those abroad who are raising their productivity, but it will also mean that the extra wealth created will be available for further increases in industrial investment and much needed improvements in public services, as well as improved living standards, thus creating more jobs."

This, he said, would bring Britain into a virtuous circle, rather than the "vicious circle we have been in for too long of poor productivity, a declining share of world trade and a declining number of jobs."

He argued that the "gloom-

mongers," ever ready to see nothing but bad in British industry, were steadily being replaced by those who believe there is room now for optimism about our future."

Britain had come through some of the most difficult economic years in its history since the 1973 oil crisis and was in better shape than the gloom-mongers were predicting.

Inflation had been brought down into single figures, and would stay there, "providing we do not throw away the stability achieved." Money supply was under control, he balance of payments would be in surplus this year.

While there were solid grounds for optimism, however, Mr. Barnett warned that Britain must take advantage of the improvement. "Fortunately there are signs that many sectors of our manufacturing industry are responding to the challenge."

Investment was rising, but it must be of the right type and quality.

"As a nation, we must concentrate on the expansion of industries which will have growing markets in the years ahead," he added. And expansion would depend on more than new investment: "In the main, productivity growth stems from making the best use of both new and existing plant."

Car drivers can collect fares

FINANCIAL TIMES REPORTER

CAR OWNERS from today legally are entitled to collect fares from passengers who travel in their vehicles.

This is one of the provisions of the new Transport Act, the bulk of whose provisions come into force today.

The authorities accept that paid car sharing has been widespread for many years, but the change has been enacted as part of the Government's drive to tackle public transport problems in rural areas where conventional bus and train services have declined or disappeared.

The Act also places upon county councils the responsibility to publish rolling five-year public transport plans as a basis for their financial agreements with public transport operators.

Advertising of non-profit-making social car schemes also is legalised in the Act and local authorities are given powers to provide further bicycle parking facilities.

Mr. Murray said yesterday the

Car drivers can collect fares

TUC had the right to recommend one party or another. Although not political, he added, the TUC was in politics. "So is the CBI; so is any organisation which seeks to influence the Government on things that will be in the interests of the members of that organisation."

"There is no question of the TUC applying a political test to its members."

Their methods were described as a public outrage when the issue was debated in Parliament some eight months ago, and led to charges that the Transport and General Workers Union was using strong-arm tactics to put pressure on the Didcot traders.

"Wreckers"

According to Mr. Ritchie Pearce, chairman of the Southampton ship stewards and a prominent figure in last year's Didcot activities, traders on the ship can expect another visit from the stewards soon.

Mr. Pearce and his colleagues were sharply rebuked on Wednesday by Mr. Robert Adley, Conservative MP for Christchurch and Lymington, for being "wreckers" bent on making Southampton an "accident black spot" and for using pretexts to strike.

LABOUR NEWS

Catering award could give low-paid 30%

BY NICK GARNETT, LABOUR STAFF

THE SPECIAL PROVISIONS on wage rises for the lowest-paid in the Government's White Paper on pay policy seem likely to form a main target in claims for them in the present pay round.

This will probably be tested today as wages council negotiations for catering start.

The outcome of the talks may have widespread implications for other wages council settlements, which affect almost 3m workers.

The union side of the catering trade, led by the General and Municipal Workers' Union, has claimed a minimum rate of £50 a week for a section of the 400,000 workers in licensed hotels and restaurants.

The claim was rejected by management.

At the Licensed Residential and Catering Restaurant Wages Council meeting today, the union side is almost certain to revise its claim to about £44.50 for workers not usually in direct contact with customers, and something a little lower for those who are.

Shipyards redundancy pay may average only £1,725

By Our Labour Staff

BRITISH SHIPBUILDERS expect that payments made under the shipbuilding redundancy scheme to workers made redundant since the nationalisation of shipyards last year will reach only 16.5 per cent of the maximum possible.

Since nationalisation on July 1, 1977, there have been 2,300 redundancies in the industry, British Shipbuilders said yesterday.

The maximum payment a worker who is made redundant can receive is £10,400—£7,400 from the shipbuilding scheme and £3,000 from the state redundancy scheme.

British Shipbuilders expects now, however, that redundancy payments under the shipbuilding scheme will average £1,725.

Details of the scheme will be distributed throughout the industry in the form of a question-and-answer booklet, which covers eligibility, lump-sum benefits, readily support benefits, the effect of benefits of obtaining another job, the effect of re-employment in the industry, and the effect on personal taxation and the overall benefit limits.

A worker aged 43, for example, with 20 years' service on a weekly wage of £50 who was unemployed throughout the period of entitlement to redundancy benefits, would get a total lump sum payment of £2,625, comprising £1,025 from the state scheme, £100 age benefit and £1,500 service benefit, plus weekly support payments of £14.43 per week for 104 weeks, giving a total payment of £4,125.

Heathrow engineers seek parity payment

BY PHILIP BASSETT, LABOUR STAFF

SHOP STEWARDS representing 4,000 British Airways engineers at Heathrow Airport decided yesterday to press for interim payments to cover parity anomalies with British Caledonian workers at Gatwick working on wide-bodied jets.

Further action will be considered if the claim for the interim payment is not met.

Industrial action, including a 24-hour protest strike which caused limited disruption of flights, has already been taken.

A meeting of the engineers' shop stewards yesterday decided to approach British Airways management and the management side of the engineers' and maintenance negotiating panel for the unspecified interim payment.

The trade unions would then be prepared to enter into negotiations for an increase in productivity. Some shop stewards see a productivity deal as a way round the parity problem without infringing Government pay guidelines.

Industrial action, on the

Bank employees await lead on new guideline

By Our Labour Staff

A SPECIAL executive meeting of the National Union of Bank Employees decided yesterday that it could not support the 5 per cent pay guideline at the present time, and that its attitude would eventually be governed by the extent to which settlements achieved by other unions observed guideline.

Before fixing pay claims for next year, the union would also take into account changes in the cost of living and would consider introducing retrospective claims if it thought this justified.

The union will be seeking improvements in existing productivity agreements. The English clearing banks are due to settle in July, the Scottish banks in April and the Trustee Savings Bank in May.

Tape control system

THE GRAPHICAL Numerical Control part-programming system (GNC) developed by the Computer Aided Design Centre, Madingley, near Cambridge, for numerical control of machine tools has been acquired by Morfax, of Mitcham.

Prior seeks TUC ideas

BY OUR LABOUR STAFF

BRITAIN WILL be looking for constructive suggestions on unemployment from the TUC next week rather than a tired repetition of old demands for more Government spending and a larger public sector, Mr. James Prior, Opposition spokesman on employment, said yesterday.

Speaking at Nottingham University, Mr. Prior acknowledged the industrial experience and knowledge of the trade unions, but backed the Government's reasons for rejecting trade union calls for a shorter working week by stressing that unit labour costs

Safety pledge in Windscale

A WORK-TO-RULE and overtime ban is being imposed by the scientific engineering and administrative staff at Windscale atomic plant in support of a pay award.

But they have given assurances that safety will be guaranteed.

The staff want to underline their determination to be paid the 5p an hour "hostility money" which is given to industrial workers at the plant.

INSECURITY MAY BE KEY TO PORT'S DISPUTES

The dockers' dilemma

BY PAULINE CLARK, LABOUR STAFF

A MASS meeting of 2,000 striking dockers in Southampton, little time for those who accuse them of being trouble makers. Britain's sixth largest cargo handling port will decide today whether to accept new proposals for a return to work.

With the week-old strike over a safety dispute possibly drawing to an end, strike leaders are already drawing up new battle plans on a separate but familiar issue in the recent history of Southampton dockers' activities.

The target will again be the Milton trading estate in Berkshire, scene of what became known eight months ago as the "Didcot affair."

The plan for new action even before the current strike is over seems likely to reinforce the opinions of those who are already accusing the ship stewards of militancy for militancy's sake.

The Didcot affair centred on efforts by Southampton dockers' leaders to block the traffic of containers handled by traders on the estate because they considered it was the rightful work of dockers.

Their methods were described as a public outrage when the issue was debated in Parliament some eight months ago, and led to charges that the Transport and General Workers Union was using strong-arm tactics to put pressure on the Didcot traders.

"Wreckers"

According to Mr. Ritchie Pearce, chairman of the Southampton ship stewards and a prominent figure in last year's Didcot activities, traders on the ship can expect another visit from the stewards soon.

Mr. Pearce and his colleagues were sharply rebuked on Wednesday by Mr. Robert Adley, Conservative MP for Christchurch and Lymington, for being "wreckers" bent on making Southampton an "accident black spot" and for using pretexts to strike.

The Southampton dockers have little time for those who accuse them of being trouble makers. Britain's sixth largest cargo handling port will decide today whether to accept new proposals for a return to work.

With the week-old strike over a safety dispute possibly drawing to an end, strike leaders are already drawing up new battle plans on a separate but familiar issue in the recent history of Southampton dockers' activities.

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Their insistence that they have good relations with management may appear curious when set against the docks disputes record over the past 18 months.

Opening of the new berth for handling South African container traffic was delayed for several months this year because of a dispute over manning. There was a crippling strike last spring when maintenance engineers not in the TGWU fought management on a parity issue, in conflict with the Government's pay restraint policy.

The dockers, currently accused of irresponsible militancy, take the view that the insecurity felt in the industry because jobs cut from 91,000 to 24,000 since 1968-69 has thrown up a new breed of professional ship stewards who take very seriously the protection of their interests.

The Didcot problems are typical of the stewards' efforts, since they centre on the determination of dockers' leaders to prevent any further loss of container work from the docks—a determination which has inevitably increased with the recent failure of the Government to get the Dock Labour Scheme through Parliament.

Management has talked of an "unco-operative" attitude which has led to a series of disputes. According to Mr. Pearce, the ship stewards accept that "a small minority" of the workforce "do not have the right attitude."

Their capability for causing disruption has increased with the mechanisation of the port. It had led to dockers working less often in gangs, where they impose discipline on each other, and more as individuals.

The stewards say they would support management in taking a tougher stand on disruptions caused by the unco-operative minority, but that in choosing the safety dispute the employers had miscalculated.

There is still no agreement apparently as to whether it was really a mechanical fault on a straddle carrier that led, as the stewards claim, to hot oil being spilled on the 26-foot ladder to the cab.

Safety issue

Management has stood firm that there was no mechanical fault and that the ladder was safe and, as a result, the stewards' request for a joint safety committee to judge the issue was not taken up.

The row was broadened to a dispute over the general issue of whether management was abiding by laid-down safety procedures. It is hoped that its reaffirmation to stewards that it stands by the procedures will get the dockers back to work today.

But other issues still simmering prevent any guarantee of a lasting peace in Southampton docks.

The ship stewards shrug off the charge that they are trouble-makers and have made it clear that they will pursue their argument that more investment in new machinery is needed at the port.

ENERGY REVIEW: PETROCHEMICALS

BY KEVIN DONE

Norway's difficult debut

THE VISION of petrochemical plants springing up around the shores of the North Sea, founded on the sudden and surprising access to local sources of oil and gas, has been stimulated ever since the first offshore discoveries were made more than 10 years ago. But only in one case, at Bamble in southern Norway, have ambitious plans become reality.

The chemical industry already takes about 8 per cent of all the petroleum consumed in Western Europe, and its share is increasing. Traditionally, naphtha—a light oil product—has been the most important petrochemical feedstock.

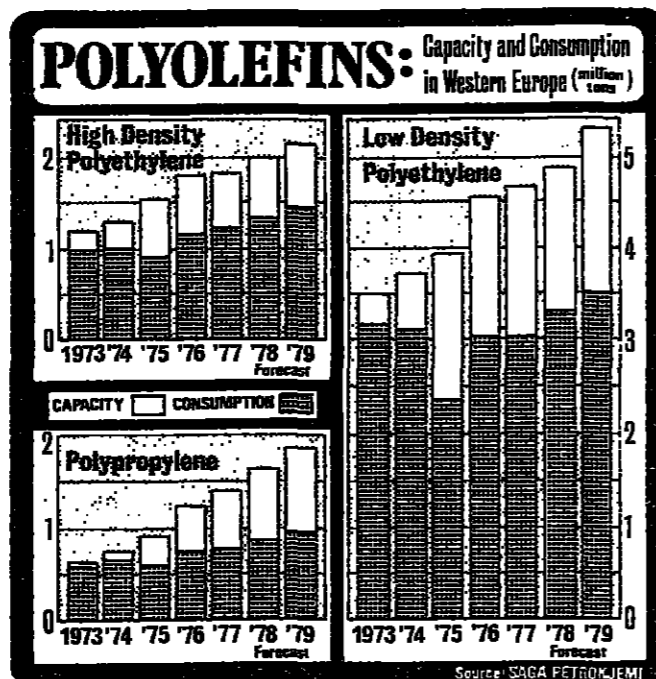
A naphtha-based petrochemicals industry has existed in Europe for many years, but it was the particular discovery of quantities of natural gas liquids in the North Sea that excited expectations in the UK and Norway of a sudden surge of petrochemicals development.

In the UK, many plans and studies have been drawn up. But in reality nothing has gone beyond the planning stage. The UK, of course, already has a well-developed petrochemicals industry based largely on naphtha, and the possibility of using ethane and propane as feedstocks is less attractive for that reason. The range of products from these gases is more limited than those derived from naphtha.

But perhaps most crucially there is uncertainty as to the cost benefits of using ethane in the UK. No clear decisions have been taken as to how ethane would be priced. It is not a market commodity—so chemicals producers remain unsure how much cheaper these gas liquid feedstocks would be, if at all.

But in Norway, petrochemicals development, stimulated solely by the discovery of North Sea feedstocks, has followed a very different course. Some of Norway's biggest companies are engaged in bringing into production a £500m petrochemicals complex that has been under construction since 1974. The collection of six plants at Bamble in southern Norway marks the country's first real debut in the modern petrochemicals and plastics industry.

Fundamental to the country's move into mainstream petro-



chemicals was the availability of gas feedstocks. As Mr. Hans Bjontegaard, managing director of Norsk Hydro's petrochemicals division explains: "It was only these low-priced natural gas liquids that made the plants possible. Without the feedstock agreement we would not have had this complex."

The agreement was reached in the early 1970s between the Norwegian Government and the group of companies that were seeking to develop the Ekofisk Field off the coast of Norway. The U.S. Phillips Petroleum of the U.S. Phillips wanted permission to land the crude oil from the field at Teesside in the UK and the natural gas at Emden in northern Germany.

As a compromise, the Norwegian Government warring a deal out of the oil companies which did indeed allow the oil to flow to the UK and the gas to Germany. But in return the Phillips group had to agree to ship back to Norway from Teesside sufficient supplies of wet gas, ethane and propane to produce at least 250,000 tonnes of ethylene. The wet gas would also be supplied at such an attractive price that not only would it cancel out Norway's disadvantage of being located so far from the main West European markets, but it would also give Norway a decided ad-

vantage over existing ethylene manufacturers using naphtha. Downstream products, such as plastics, could then compete in West European markets on an equal footing with existing producers.

As it turns out, the Norwegians could hardly have chosen a worse time to launch themselves into the once glamorous field of petrochemicals. But when the project was planned in 1973-74 future growth rates seemed to be set fair and the only constraint to development, thanks to the Arab oil embargo, seemed to be the shortage of feedstocks. And these the Norwegians had discovered on their own doorstep.

According to Mr. Bjontegaard: "In 1973 everyone thought we were getting a goldmine, with feedstock and advantageous prices. Everyone wanted to put his hand in and take out some ducaats." The Government, having made the feedstock agreement with Phillips, then led talks between three companies to decide on the division of the spoils. The parties to the negotiations were Norsk Hydro, Saga Petrokjemi and Statoil.

Mr. Od Gothe, general director of negotiations and planning in the Department of Industry,

who led the company negotiations, explains the Government's thinking in 1974: "The philosophy in the Ministry was shaped by the fact that many of the Saga companies were involved in metals and we saw that expansion possibilities for the electro-metalurgical industries were limited. They need to change over to new fields which had to be based on North Sea feedstocks. We have a long tradition of using natural resources in Norway. We had to aim at achieving as much added value from the oil and gas as possible, on a competitive basis."

The approach of the Norwegian Department of Industry ruled out a project by Norsk Hydro on its own. "We wanted a fair distribution of assets because it was a project of national importance," says Mr. Gothe.

But how well has the philosophy of expanding into a whole new industry worked in practice?

The cheap feedstock contract was supposed to be the one factor that made it all viable. The gas liquids must be delivered for at least 15 years by the Phillips group.

According to a paper delivered to the Norwegian Parliament, the feedstock price will remain particularly attractive because any increases are limited to 80 per cent of any increases in the price of crude oil. The overall price is linked to a complicated formula. About 20 per cent of the price must stay at the average price of crude oil in 1973. The other 80 per cent can escalate along with oil prices, but not at the full rate. So the more the price

of oil rises, the better off the Norwegians are and the more competitive their petrochemicals industry will be against the rest of Europe.

For the moment it hasn't worked out quite like that, however. According to Mr. Bjontegaard, the Bamble partners felt in 1974 that they would have a 10 to 20 per cent advantage in producing a tonne of ethylene from ethane and propane, compared with production from naphtha.

But oil prices have not continued to escalate. Indeed, the price of naphtha has often fallen to very low levels in recent months and plastics prices have fallen even more dramatically. But by far the worst factor has been the unforeseen delay in actually obtaining the cheap feedstocks. The Phillips terminal at Teesside is three years behind schedule. Deliveries of gas liquids to Norway cannot begin before the second quarter of next year, but the cracker at Bamble had been ready since August last year.

Since then, as the ethylene plant has been brought onstream, Norsk Hydro has had to buy propane feedstocks on the world market. It has had to pay up to twice as much as the anticipated price for the Ekofisk wet gas. Faced by a court action, Phillips has agreed to pay compensation. But it does not ease the Bamble partners' problems in the short-term.

Just as importantly, Norway has seen all the projections of growth in West European petrochemicals markets collapsing, stimulated chiefly by the prospect of more cheap feedstocks from the North Sea.

Mr. Jan Wennesland, vice-

president for business development at Saga Petrokjemi, says nonetheless that he is confident that Saga will find its niche in the European market, especially in Scandinavia, which he considers as a home market.

For Saga to gain its share as a home producer, it will mean that traditional suppliers such as ICI, Hoechst, BASF and Unifils will all have to surrender some market share.

But despite Saga's apparent optimism, Bamble faces a hard struggle for life in its early years. According to Mr. Arve Johnsen, managing director of Statoil, the plants are now expected to run at a loss as far ahead as 1983-84. Some of his partners are not quite so pessimistic, but they all admit that the economic climate has changed dramatically since the terminal at Teesside is three years behind schedule. Deliveries of gas liquids to Norway cannot begin before the second quarter of next year, but the cracker at Bamble had been ready since August last year.

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BAMBLE PETROCHEMICALS COMPLEX (Cost £500m)

Plant	Annual Capacity	Ownership	Start-up date
CRACKER:			
Ethylene	300,000 tonnes	Norsk Hydro 51%	August 1977
Propylene	70,000 tonnes	Statoil 33%	
		Saga Petrokjemi 16%	
CHLOR-ALKALI COMPLEX:			
Chlorine	120,000 tonnes	Norsk Hydro 50%	May 1978
Caustic Soda	130,000 tonnes	Bjontegaard 50%	
Vinyl Chloride Monomer	300,000 tonnes	Norsk Hydro 100%	June 1978
POLYOLEFINS:			
Low Density Polyethylene	110,000 tonnes	Norsk Hydro 33%	July 1978
High Density Polyethylene	50,000 tonnes	Saga Petrokjemi 33%	Spring 1979
Polypropylene	60,000 tonnes	Statoil 33%	August 1978

Airline passengers face 'intolerable' conditions on the ground

FT WORLD AEROSPACE CONFERENCE
REPORTS BY LYNTON McLAIN

WORLD AIRLINES had shown "Olympian indifference" to the fate of air travellers waiting in intolerable conditions at British airports this summer, Sir Henry Marking, chairman of the British Tourist Authority, said in London yesterday.

The airlines concerned should be condemned for the "calous indifference" they showed to passengers, he said. "They could and should have done something to alleviate the hardships suffered by their would-be passengers, but they had done nothing," he said at the second and final day of the Financial Times World Aerospace conference held in London.

This had done some airlines no credit, Sir Henry asked whether or not it was right that they should deny air travellers and legal responsibility before passengers had boarded their aircraft.

He accepted that not all airlines which made the regulations had caused the passenger queues, but in many respects the consumer now received a raw deal from airlines.

Poor treatment of airline passengers on the ground contrasted with their treatment once in the air. As a general rule, this was of a high standard and passengers had little cause for serious complaint.

Standards on the ground were all too often low. This was not always the result of faults in the airlines, as in the present case which was due to the impact of the French air traffic controllers' dispute.

As the chairman of a tourist authority, Sir Henry said he applauded the cheaper air fares which had already come from the force across the North Atlantic and which would inevitably spread to other routes.

Cheap air fares generated more traffic, and there was no doubt that the public would put up with some inconvenience and hardship to travel more cheaply. But cheap travel raised two issues of vital importance to the future. In the longer term, cheap fares would be no good for the tourist industry if they became so low as to jeopardise the stability of scheduled services.

Normal scheduled services were essential to the well-being of a stable tourist industry. But if new fares were so low that they resulted in airlines selling dollars for 75 cents each, the long-term stability of scheduled operations would be at risk.

The second issue was the "huge queues" of people trying to get to New York on the Laker Skytrain and trying to buy stand-by tickets on scheduled services this summer.

Sir Henry said present regulations have resulted in people queuing for several days in London and at Heathrow and Gatwick airports.

Such regulations were not acceptable if they resulted in the public having to submit to ordeals, he said. He had Authority that the regulations for Skytrain passengers in Britain and for stand-by passengers on

scheduled services now had to be relaxed to prevent a recurrence of the intolerable conditions at peak periods.

Air traffic was going to continue to grow and air fares were getting cheaper, but Britain had to make sure that there would be adequate accommodation for the rising number of foreign visitors. Britain had to have hotels that would not be at a disadvantage if the cheaper air fares to increase their prices, perhaps unnoticed in total package costs.

Airlines had to use their influence with hoteliers to ensure that the growth in air traffic which lower fares was generating was not put in jeopardy by unreasonable increases in hotel prices and in the cost of ground arrangements.

Sir Henry said that a passenger who had paid \$160 (£82) to cross the Atlantic would not be willing to pay \$80 or more a night for a hotel room. There was a vital need for more accommodation in major tourist cities. Tourism in Britain would account for £3bn of foreign currency earnings this year. It was one of the fastest growing of all international industries since the Second World War.

It also provided jobs at a time of high unemployment and Government had to recognise that they had a part to play in nurturing an industry so that tourism was commercially viable and could flourish, Sir Henry said.

'Rising costs will be passed on to the passengers'



M. Henri Ziegler, chairman of France's Société Nationale Industrielle Aérospatiale talking to Mr. Edmund Dell, Secretary of State for Trade, at the conference.

would have to provide special facilities at a lower standard than for normal traffic for all stand-by passengers. These lower-grade facilities would help avoid some of the discomfort felt by passengers on scheduled airlines tickets who were affected by much of the congestion created by waiting stand-by passengers.

Airports had to increase the flexibility of the service they provided, but in the long term all passengers would have to receive equality of service, Mr. Payne said.

He forecast that by the mid-1980s there would be a dramatic decline in the area of noise disturbance around Heathrow airport, London. By the next decade the majority of aircraft using British airports would be certified in accordance with the

International Civil Aviation index 16, which set a maximum permissible noise limit for all civil aircraft in the mid-1980s. But he warned that for older airports in locations which had extensive urban development there would be a long-term residual noise problem as air traffic had grown.

He also warned that eventually when all aircraft had been certified to meet maximum noise levels, Britain and other industrial nations would have reached the limit of improvements. After that, there would be little that could be done to reduce noise further.

The only way for a further reduction would be to reduce capacity at airport terminals at an ultimate cost to air travellers of £60m units, but in a paper on the technical spin-off from European Space Agency projects, Mr. Roy Gibson, director-general, said the agency

had tried for many years to assess the effect of agency contracts on the aerospace industry. A study group from Strasbourg University had concluded that it was possible to quantify the "total amount of usefulness" in space contract work.

For each ESA contract of 100 units, a manufacturing company had received another 270 units in the form of consequential benefits, Mr. Gibson said. A detailed account of the methods used in reaching this conclusion was contained in Mr. Gibson's paper.

The European Space Agency had a total budget last year of 485m units of account (each one worth \$1.13). This year the total would rise to £1.1bn, but was likely to fall by around \$100m as the Space Shuttle and Ariane rocket launcher programmes reached their peak.

APPOINTMENTS

Brown Shipley group posts

Mr. James A. Keyden and Mr. Douglas N. Hensley have joined Renault subsidiary for the past three years.

Mr. Robert W. Frick has been executive vice-president of BANK OF AMERICA NT AND S. and continues as the managing director of Bank of America International in London.

Mr. Ronald Day is to become managing director of BRITISH TISSUES from tomorrow on the retirement of Mr. Wilfrid Brown. Mr. Day was formerly group managing director of SAPPI, the South African paper manufacturing subsidiary of Union Corporation.

Mr. Christopher G. Ross has joined LAKE AND RESS as a valve division chief executive. Mr. Ross, who moves to the group after three years as general manager of GEC's industrial marine steam turbine division, was also a director of GEC Turbine Generators.

Mr. Joseph V. Vitteria has been appointed vice-president and general manager of HERTZ EUROPE. Mr. Craig Koch continues as division vice-president of Hertz Europe Operations. Mr. Vitteria, who was previously senior vice-president of Hertz Europe, resides in London.

The Council of the BRITISH INSURANCE BROKERS' ASSOCIATION has appointed as honorary vice-presidents: Mr. Edward du Cann, MP, formerly of the Association of Insurance Brokers, and Mr. John Page, MP, the sponsor of the Insurance Brokers (Registration) Act.

Mr. P. M. Heron has been appointed manager of the newly-formed occupational health safety and environmental division of CHEMICALS. Dr. J. T. Carter has been senior medical officer of the medical group.

Mr. David R. Stone has been appointed managing director of DONCASTERS SHEPHELD from September 11 and will report to Mr. David Balchin, group director operations. Mr. Stone is at present works director at Fifth Brown.

Mr. E. W. Faine has been appointed technical director of NORMAN FRIZZELL UK. Mr. D. H. McMurtrie has become commercial director of MARTIN. BLACK AND CO. WIRE ROPE, and is succeeded in the board post of UK sales director by Mr. E. K. Jenkins, currently managing director of the group's lifting division.

Mr. Charles Hargreaves, assistant managing director of Burton Retail and an alternate director of the main board of the BURTON GROUP, has retired.

Mr. Alain de Saint-Victor is to become managing director of the RENAULT next month in succession to Mr. Pierre Acolas, who returns to Paris for family reasons and will be taking a senior position North. Mr. de Saint-Victor comes to Britain from the Regie Renault. Mr. de Saint-Victor comes to Britain from the Regie Renault.

Mr. Robert L. Cromar has been appointed assistant general manager (resident in Glasgow) of the BANK OF SCOTLAND from September 1. Mr. John D. Legg returns to his post as manager of the Glasgow district (Glasgow North), has become manager of Glasgow chief office, in succession to Mr. Cromar.

Mr. A. H. Ogden has been appointed a director to EDWARDS and PAYNE (Underwriting Agencies).

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As the move was made, the Home Office granted the men a travel arrangements could be "further and final" seven-day extension of stay in Britain.

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Air terminals not planned to deal with strike chaos

THERE WERE many elements in the British airports system which were so sensitive to industrial action that they resulted in chaotic consequences, Mr. Norman Payne, chairman of the British Airports Authority, told the delegates.

The problem highlighted one of the difficulties now facing airport operators during forecasting and the provision of facilities. Mr. Payne said that the BAA had been able to make a good assessment of the effect on weather and technical snags and to allow for these.

The frequency of short-term overload in the system could be assessed and airports could be modified to cope with these peaks of activity.

But coping with the uncertain frequency of industrial disputes was another problem. There would always be some element of industrial action in the inter-

national air transport business that would cause delays and congestion much greater than the BAA had allowed for in the past. This would mean that new terminals would have to be larger and more expensive, while existing terminals would have to be rated at lower capacities to be able to cope in the event of disruptive industrial action.

These rising costs would eventually be passed onto the airline passenger, unless airports could improve their efficiency.

Faster The speed with which airlines had reacted to the explosion in travel at the low-price end of the scale was much faster than that with which airport authorities could react with provision of increased capacity in new terminals, he said.

It was not a problem to provide temporary accommodation, but these facilities had a habit

of becoming permanent. A further problem was that the temporary accommodation was often sited where permanent facilities were needed.

There was also a growing tendency for space allocated for emergency use to be used for normal airport operations.

Mr. Payne defined an airport as the place where, ideally, one second the minimum of time. He suggested that the low-fare paying passenger was much less sensitive to time. This summer the most low-fare passenger spent at a British airport was four days.

It was a paradox that the passengers who paid the highest fare for Concorde, used airports the least, and once at the airport he or she spent only a minimum of time arriving or departing. The same did not apply to those paying lower fares.

It was possible that airports

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Agent
U
Ultrafin AG

Somalia: aid comes in after the ravages of war

BY A SPECIAL CORRESPONDENT

SOMALIA'S EXPULSION of the Russians, and indeed the Russians took over, and now the UN has resumed training. So far, however, fewer than 1,000 nomads have done much more than the strictly practical, and for new schemes rather than the improvement of existing ones. The most important scheme, on which about 200 Soviet people were working at the time of their expulsion, was the Fanoale irrigation project in Lower Juba, designed to irrigate 50,000 acres. So far only 5,000 acres have been prepared for irrigation and work on the river barrage was only half completed when the Russians left, taking with them the plans needed to finish it.

The government's strategy is to develop the arable areas of the country, gradually resettle some of the nomads and try to improve the quality of the rangeland. After the terrible drought of 1974-75 about 120,000 nomads were resettled in farming and fishing settlements. The Soviet Union provided the aircraft and lorries for this operation and helped run the fishing settlements, and though it was by no means the only country giving aid to Somalia, it was involved in several other projects, most of them fairly big.

Somalia had mixed feelings about Soviet economic aid. While they readily admit that the Russians did much useful work in developing infrastructure, such as the port of Berbera (where the Soviet navy enjoyed facilities), and they appreciated their help during the drought, Soviet shipments tended to be slow in coming and lack of spare parts was a common complaint. The Russians frequently used their economic aid as a lever on the Somali Government—for example to obtain the release of Somali sailors held for activities on behalf of Russia.

Soviet aid was often wasteful: of some 700 civilians working in Somalia half were interpreters. Many Soviet-assisted schemes were ill-conceived, including two major industrial establishments, the meat packing factory at Kismayu and the fish canning plant at Las Koray. Both have been operating far below capacity and incurred heavy losses for the state. Now they are coming to a standstill for lack of spare parts.

The Russians, and indeed those Somalis whom they trained or influenced, had a marked preference for the grandiose or spectacular rather than the strictly practical, and for new schemes rather than the improvement of existing ones. The most important scheme, on which about 200 Soviet people were working at the time of their expulsion, was the Fanoale irrigation project in Lower Juba, designed to irrigate 50,000 acres. So far only 5,000 acres have been prepared for irrigation and work on the river barrage was only half completed when the Russians left, taking with them the plans needed to finish it.



President Siad Barre of Somalia

The most promising scheme was a deep sea fishing venture, called Somalifish, which the Russians provided with factory ships, trawlers and expertise. In 1976 it produced more than 4,000 tons of frozen fish, lobster and fishmeal, compared with 1,700 tons the previous year. Most of the catches were sold to Russia but there was a growing demand from the Middle East. When the Russians pulled out they took all their vessels and equipment with them.

The Russians also helped with coastal fisheries, assisting with the resettlement of 13,000 former nomads as fishermen in three large co-operatives. This has to provide about half the food for the former nomads living in agricultural settlements on Juba and Shebelle

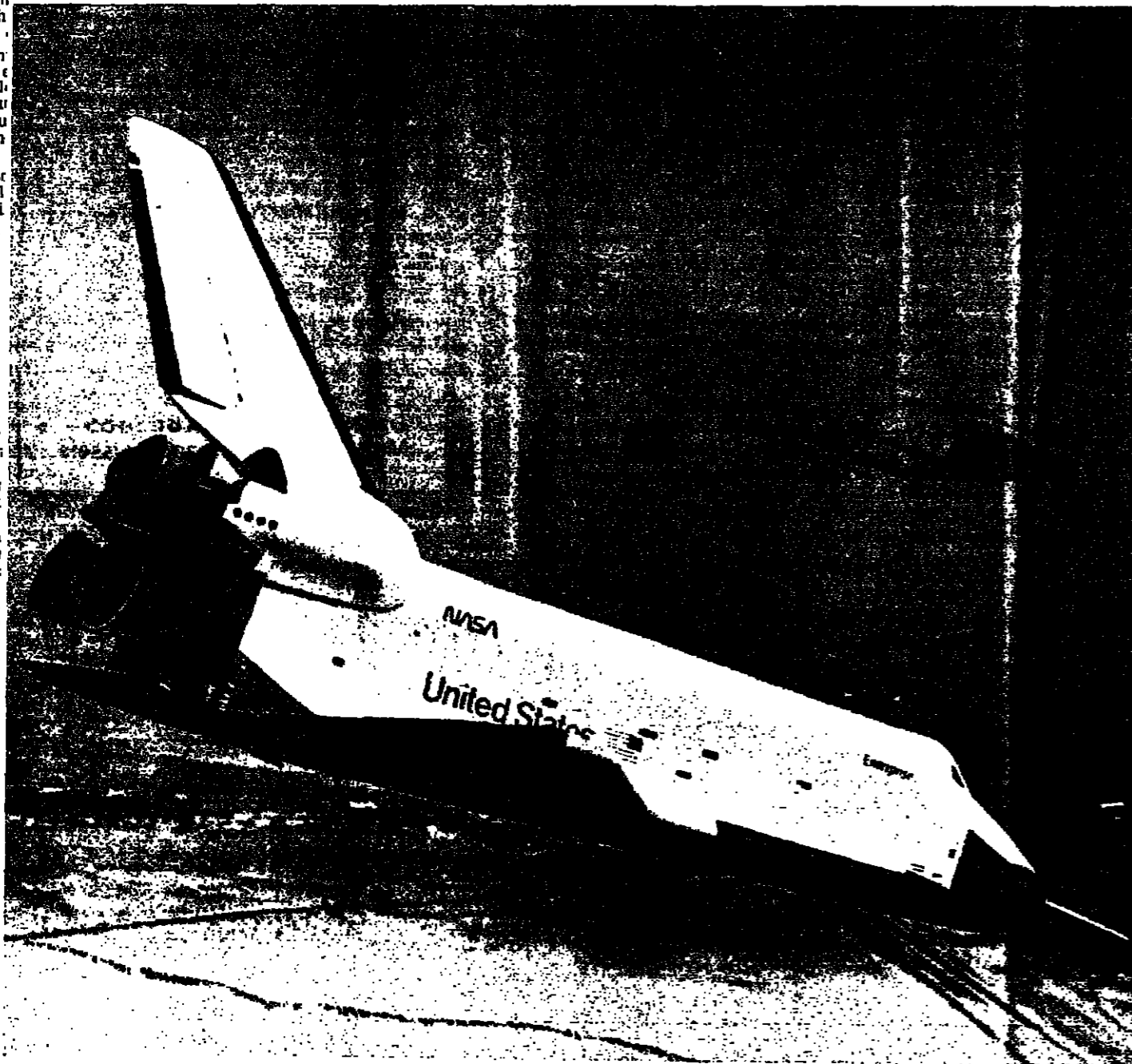
rivers. About 83,000 people in the three settlements still produce only a fraction of their food requirements, though important development schemes for their benefit, through the construction of housing as well as expert training and supply of farm implements, are now under way with the help of the World Bank and Arab money.

The resettlement schemes are regarded as something of a political and social triumph, but given their enormous cost and technical problems there are no immediate plans for further large-scale resettlement.

While crop farming in the south is to provide the main thrust of Somalia's development—with nearly 30 per cent of the revised 1974-78 development plan (amounting to spending of \$1.5bn) being allocated to it—it is now felt that more should be done to assist the nomads on their grazing areas rather than trying to change their occupations. A large rangeland conservation project has begun in the north covering an area of 140,000 square miles and a population of 300,000 nomads. Financed with a soft loan from the Kuwait Fund, it is designed to improve badly overgrazed pastures, provide good water and develop nomadic communities socially and educationally. Another scheme assisted by the World Bank and Arab financial resources will start next year. Eventually, all the nomads should become semi-settled.

But development prospects are far from glittering in a country where few mineral resources have so far been found in commercial quantities (though uranium is a possibility). The country is at the mercy of drought and is presently suffering from swarms of locusts in the north. The war with Ethiopia was largely financed by Saudi Arabia but it left about 150,000 refugees who must be cared for. Foreign exchange reserves, at \$174m, are relatively high but there is expected to be a bad trade deficit this year.

However, with its strategic position in the Horn of Africa, Somalia can reasonably expect some balance of payments support from its rich, conservative, fellow members of the Arab League.



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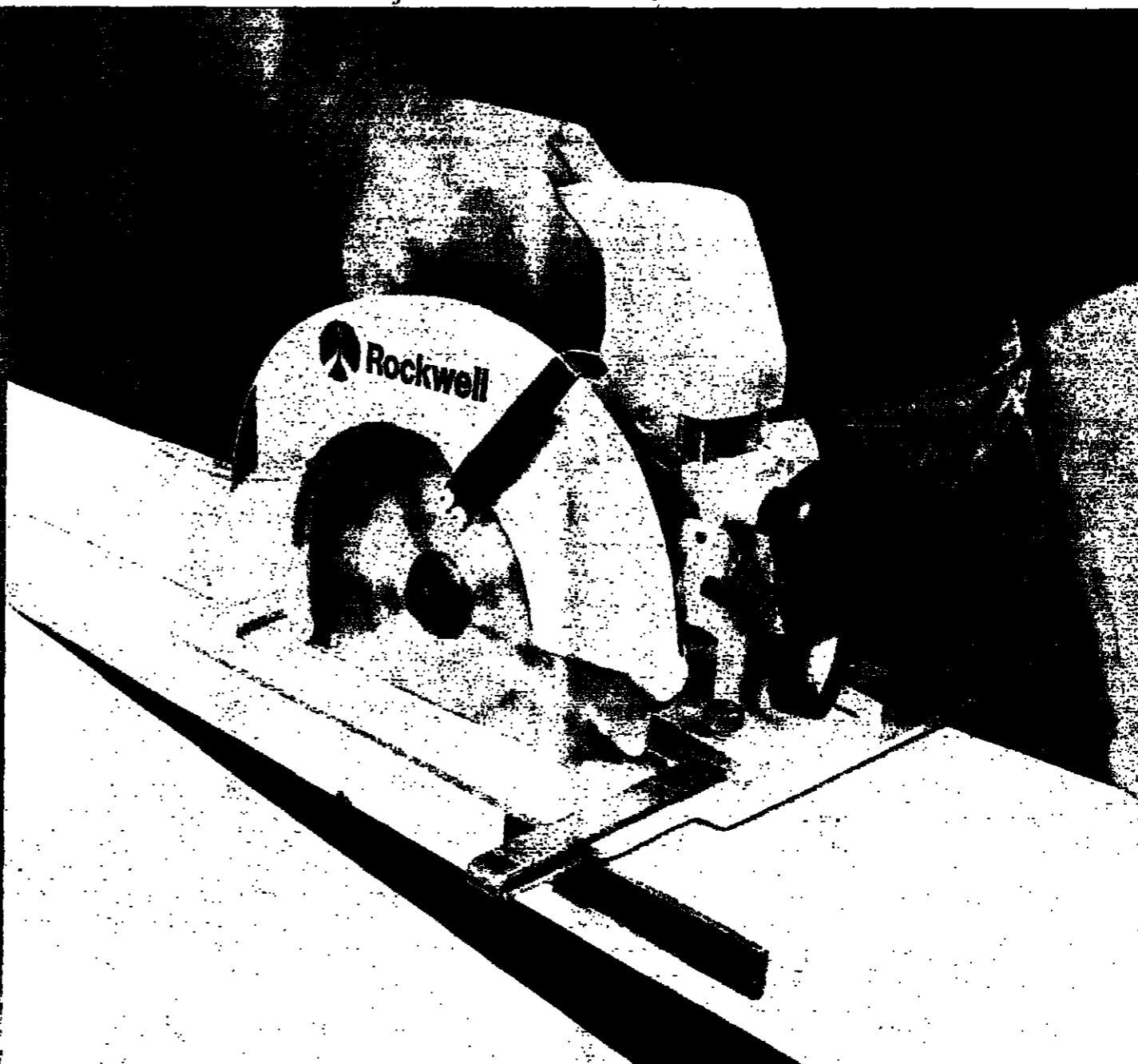
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The Property Market

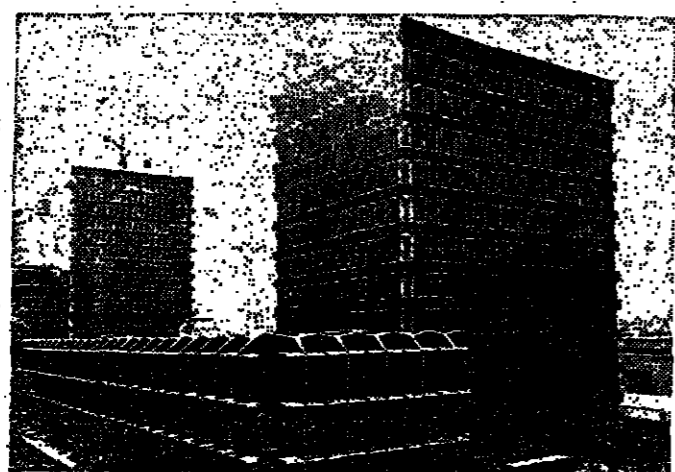
BY JOHN BRENNAN

The Euston backwash

Fluor (Great Britain's) 237,000 sq. ft. letting of British Rail's Euston Square development means that the U.S. engineering service group will be vacating 180,000 sq. ft. of mainly central City of London offices.

White Drice and Brown, who negotiated Fluor's £3m a year Euston Square letting, has been retained to dispose of the group's existing buildings. And as Fluor confirms that it will be moving all of its 1,300 London staff into the Euston blocks next spring, years, it looked at and rejected all the traditional relocation range of City space on offer.

The largest of Fluor's existing offices is the 70,000 sq. ft. Finwell House by Finsbury Square. Just down the road in Finsbury Pavement it will be able to take down its temporary sign "Fluor House" over the 30,000 sq. ft. Euston Square with Edward



Euston Square, for £3m a year the new "Fluor House."

Erdman and Company, British Rail's letting agent, earlier this year shortly after Esso backed out of provisional talks for the building. Having taken the whole 237,000 sq. ft. on offer, Fluor estimates that it now has the room for around a 30 per cent expansion in staff numbers.

Despite this one-third room for expansion Fluor has no intention of sub-letting Euston Square. No details of the rent or lease agreement have been released by Fluor or British Rail. But it is firmly believed that rent of £3m a year, £12.65 a sq. ft. has been agreed. Fluor is also believed to have followed U.S. tradition by incorporating a medium term "break" clause in its lease. But otherwise it is a standard agreement with five yearly, upward only rent reviews.

From British Rail's point of view a single letting at this rent is clearly excellent news. It comes close enough to the £13.50 asking rent to set new standards for Euston Road offices. The letting, coming with news (reported elsewhere) that Esso has taken Thomas Cook's 110,000 sq. ft. offices at 45, Berkeley Street, W.1, also augurs well for the remaining large office units left in the London market. It confirms the rental premium that has built up for modern units of 100,000 sq. ft. or more.

In retrospect the development could be judged as the late Sir Eric Miller's most successful property, if not financial project. Pencher Property Corporation's interest in the scheme ceased in 1976 when British Rail brought in Norwich Union and K.C.'s pension fund to take over financing for the £32m development.

Behind the scenes at Neasden

LIKE THE swan, developments tend to look serene on the surface with frenzied paddling underneath. Only rarely does the public facade slip. Documents passing within the London Borough of Brent in recent weeks provide one such glimpse behind the scenes of a major development, in this case the £13m Neasden freight complex and superstore.

The last public event in the scheme's progress was the open meeting of Brent's Development Committee on July 12. At that time Brent officials' report on the proposals were discussed and it was agreed that the council would make a final decision on September 7.

In their report the officials looked at industrial estate schemes from the private developers Hanover St. George and at British Rail's rail-freight superstore project. British Rail, which owns the 48-acre Neasden sidings, had sifted through 57 plans before backing the package put forward by Tesco — for a 100,000 sq. ft. superstore — and a 550,000 sq. ft. freight complex financed by Legal and General Assurance (Pension Management) and to be built by local developers Kyle Stewart under the development direction of English Property Corporation's Nick Irvine and Drivers Jonas.

Recommended

The officers' exhaustive report concluded that "only in the case of British Rail's application do the benefits of the proposals outweigh their disadvantages which are considered to be limited in scope. Neither of the Hanover St. George planning applications meet the strategic benefits sought from the site."

Local residents unhappy about the effects of the scheme on local traffic, and of the superstore on local traders, did not go along with the officers' view. But to the public eye their only recourse was to lobby the council ahead of its decision on September 7. In fact, behind the scenes lobbying revealed by the Brent documents heavily underlines the swan analogy.

In a letter posted to councillors this week the British Rail consortium lays out the events of recent weeks.

On July 21, nine days after the council officers' favourable report, Kyle Stewart's John Disley writes that "Mr. A. J. Disley, Director of Development, indicated to the consortium that although he had signed (the recommendations) for acceptance of the scheme, he now had misgivings about the size and impact of the superstore vis-a-vis industrial development."

In the meantime, talks between British Rail and local residents worried about the impact of the additional road traffic resulted in a major concession by the Rail Board. It wrote to the council saying that, as a separate proposal, "it might be of assistance to Members of the Planning Committee to know that the Board would be quite prepared to co-operate... in having a new look" at a Wembley by-pass road on its land.

On August 11 Hanover St. George reappeared: it had certainly not given up after the July meeting. In a letter circulated to Brent councillors it attacked British Rail's scheme. The developer dismissed estimates of 1,000 new jobs in the freight complex as "a wildly optimistic figure." It said that the proposed reletting of a cement works was "inappropriate," warning that such works mean concrete seepage on to adjoining

property, road damage, and could result in "all adjoining land-scapes—including trees—(being) covered in a layer of white dust." It produced counter arguments to every element of British Rail's plan.

Hanover wrote that council acquisition of the land, using Community Land Act powers, could result in a 75-acre industrial site worth £10m—or £7.35m with a hypermarket—provide "at least" 3,000 jobs, and give "unvalued opportunity for the Borough to create a top-quality development capable of regenerating industry throughout North West London."

Residents

British Rail's team was active at the same time, considering local residents' views about the scale of the superstore. On August 17 British Rail wrote to Brent's development director, offering to co-operate on a rethink about the store. Tesco at this time compromised by considering the idea of reducing the area of the store grounds by having two-storey car parking, leaving room for some light industrial units. It also moved to meet the criticisms of local tradesmen by considering cutting the size of the food sales department in the store.

Earlier this week Mr. Disley posted his letter to Brent's councillors bringing them up to date with the behind-the-scenes events, and countering Hanover's criticisms of the scheme.

Having repeated the strengths of the plan Mr. Disley spells out the alternative in no uncertain terms. British Rail's plan, made more flexible by the post-July lobbying, could be under way by the year-end if the Council agrees to it on September 7. But, "if by chance provisions outlined in the Community Land Act were pursued the result would be... a battle with British Rail which could be seen as a test case by all other nationalised industries... (and) subsequent serious grey areas in the market. Planning ecologists to account to the U.S. researchers."

that after the public meeting the council's decision may be surprised to learn that in fact, the gloves have been off in a fierce lobbying match. Hanover decide who takes the prize.

In Brief...

WEDNESDAY proved to be a schizophrenic day for observers of property. Stock Conversion Investment Trust and Great Portland Estates both held simultaneous AGMs on different floors of London's Cafe Royal.

As it happened, a race up and down the stairs, apart from irritating the Cafe staff, merely resulted in the traditional sight of cheerfully unceremonious shareholders appearing their board's efforts. Neither meeting ran for more than a quarter of an hour, and the only notable event was the informal entronement of Richard Peskin, Great Portland's assistant managing director, as Basil Samuel's heir apparent.

Replying to a shareholder's question on management succession Mr. Samuel said that Mr. Peskin was young enough and "perfectly suitable to take over from me in 20 to 30 years time when I want to take things more easily." Great Portland bid fans can mull that one over.

THE LIQUIDATOR appointed after the collapse of the London School of Accountancy, has raised £150,000 from the sale of the school's 5,500 sq. ft. freehold at 24 Old Gloucester Street, W.C.1.

Folkard and Hayward sold the educational space to the Institute of Ecotechnics, a U.S. ecological research organisation involved in the conservation of just about everything apart, to judge from its name, the English language. Montagu Evans and Sons advised the U.S. researchers.

Property zoned for educational use or available to charities but not outright office users, forms, like diplomatic accommodation, a grey area in the market. Planning ecologists to account to the U.S. researchers.

Street problem. But Strut Parker is still casting around 5,000 to 7,000 sq. ft. for Institute of Strategic Studies preferably in Covent Garden. The ISS is registered as a charity but it can look at buildings such tricky planning cons. But it has had no luck so far.

EUSTON SQUARE has its stolen much of the limelight London office market week. But this year, even in traditionally quiet periods, every level of the letting market has been seasonally active. De G. Collis alone has tied up 200,000 sq. ft. of lettings in Holborn and Kingsway are the past few weeks.

In a two part deal the a has assigned National Insured and Guarantees Corporati £1,000 sq. ft. offices at 1 Holborn Viaduct, EC1 to Post Office. It has moved Heron Corporation's subsid to Lazard Property Unit Tr 43,700 sq. ft. building at Fetter Lane, EC4.

Langlands, advised by Pei Anglist and Varwood and Al and Co., has been trying to its Fetter Lane development nearly two years, and it believed to have accepted significantly less than its £2 sq. ft. asking rent. De G. has also lined up a tenant the Prudential's 35,500 sq. ft. Princess House block in Kilway, and in tandem with Hill Parker May and Rowden, believed to have agreed to with a tenant for the Prudential 32,270 sq. ft. offices at 7 H Holborn.

Acting for the Abbey Prope Fund, De Groot is also to be marketing the 56,000 sq. ft. St. Hall refurbishment at St. House Court, EC3. The : conditioned space is on offer £250,000 a year.

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The Management Page

EDITED BY CHRISTOPHER LORENZ

How a merchant bank handles entrepreneurs

BY NICHOLAS LESLIE

THERE IS a host of reasons why the finances of small companies can get out of balance. One is that the directors are simply unaware of what is happening to their resources. Another is that, while they may be aware of a deterioration, they do not know what to do about it or where to look for funds to remedy it. Similarly, they may recognise the need for an injection of medium or long-term money if they are to complete a programme of expansion, but are nervous about approaching a finance company because they do not know what reception they will get, or what they will be required to do before they get any cash.

The latter factor—a fear of the unknown—is a common enough problem. It is an attitude which helped generate the widespread, and cynical, view among many industrialists in small and medium-sized companies that the people holding the strings of the medium and long-term purses live in ivory towers in the City of London. These people, so it is believed, do not understand the gritty reality of, say, manufacturing, will want to pry into a company's business and will then try to get a large slice of its action.

An increasing number of steps have been taken over the last year or so to counteract the ignorance that exists about the role of banks and other financial institutions. Many institutions have made it abundantly clear in evidence to the Wilson Committee (currently looking into the role of the City and its financial institutions) that they consider there is no shortage of money.

Elsewhere, efforts have been made to identify where different types of money can be found. Recently, the Bank of England, and the City Communications Centre have produced Money Direct, for Business, a booklet listing British and foreign financial institutions which they

organisations and the sort of money they provide. And, as disclosed on this page on July 11, several banking organisations have produced a standard agreement to assist potential clients.

But, for the small industrialist, this still leaves unanswered some basic questions. What kind of reception is he going to get if he approaches a finance house? Will he have to divulge all sorts of information which he has tried for so long to keep to himself? Will he be "grilled" about what plans he has for his company? And will he have to give up a large chunk of his company's equity as a prerequisite to getting any cash, with the possibility also of having somebody appointed to his Board of directors?

Such apprehension may seem of minor importance in relation to the wider problem of ensuring that companies get the right amount of money at the right time to guarantee their competitiveness and stability. But it would be a mistake to ignore it, since such worries stop a great many small company entrepreneurs and industrialists from ever funding their companies either properly, or at the most appropriate time in their development.

Not only that, but their fears are partly justified, since the answer to many of the above questions is "yes."

Norman Baldock, managing director of Gresham Trust, Centre for Business, a booklet listing British and foreign financial institutions which they

GRESHAM TRUST is the merchant banking subsidiary of Gresham Investment Trust, a publicly quoted company. In the past 15 years it has invested in around 90 companies. Ten of these have been start-up situations, and the number may very soon be swollen if current negotiations are successful. It sees its market as the smaller company and aims to fill a gap between the clearing banks and finance houses—which provide largely short-term funds—and the big merchant banks, which are involved

have a rather daunting "ivory tower" image. He is equally convinced, though, that this is generally unjustified and that so far as he and his co-directors are concerned great efforts are made to put potential customers at their ease. He also reckons that sufficient explanation is provided by them to convince customers that any private information his company may want is relevant in reaching a decision on financing.

It is clear that any company hoping to tap Gresham for medium- or long-term funds (either as venture capital or development capital) will get a better reception if it makes an approach via a firm of accountants or solicitors, or at the very least gets advice from them. This is because "they know the fundamentals required in putting together a presentation about a company," says Norman Baldock.

An introduction, then, is useful, but not absolutely necessary. The advantage of it is that the financier is given some assurance that the approach is being made by a company with credibility. Without it, both sides are naturally suspicious of one another until the ice has been broken. Another useful channel is for a recommendation to come from an existing client of the finance company.

It is obviously important for the client company to be able to justify clearly why it wants money. If it is to enable a

partner or a director in a private company to realise some of his capital while still retaining active management role the finance company has basically to decide only whether the concern is viable. Of course, if the capital is being realised prior to a retirement, the financier must also assess whether this means the best of the management will be quitting the company, leaving it in a weakened position.

Prestigious

Then again, if the money is required for, say, capital expenditure on new production facilities, it is important that the company can clearly justify such an expense. It is no good putting up a factory extension or establishing a new production line just because it seems a prestigious move and gives an impression of growth.

The sequence of events leading up to a company getting the money it requires from Gresham is relatively straightforward. At the outset, Gresham prefers to have a potted description of the company, giving its history, shareholders, products and markets. It will also want to know in detail what the proposition is, its purpose and how much finance the customer itself feels is needed.

Financial details are essential, including the company's sales and profits record and, ideally, a profits forecast. And

more in long-term financing of larger companies.

It will consider backing a project from scratch, including the setting up of a new company, but also finds a large part of its business with private companies where family shareholders wish to realise all or part of their investment.

It raises funds through the money markets, dividends from investments and capital profits from the sale of investments.

demand for funds comes from people who want to realise some capital. Gresham's insistence on an equity stake stems from the existence of so many small and medium sized companies which "really do need to increase their capital base."

Gresham decides whether it can take things beyond the earliest stages within a day or two ("in our judgment the essence is speed; the chap doesn't want us to take six months to decide"). Then comes a second meeting, most probably at the client's premises. Gresham will be looking to see "whether our impressions gained from the financial information are borne out on the ground."

"You also find out whether the man understands his business properly; for example, he may have said that he is stuck for factory space when clearly he is not," remarks Mr. Baldock.

An offer is likely to be made at this point, subject to contract and probably to an accountants' report. A marketing investigation may also be required. The money may be made up of all equity, or part equity and part loan stock. The precise package will depend on the company's circumstances.

Gresham will also want to meet the client's top management team at the second meeting—this usually means barely a handful of people, since the smaller companies tend to have the owner as the dominant force, with management spread thinly.

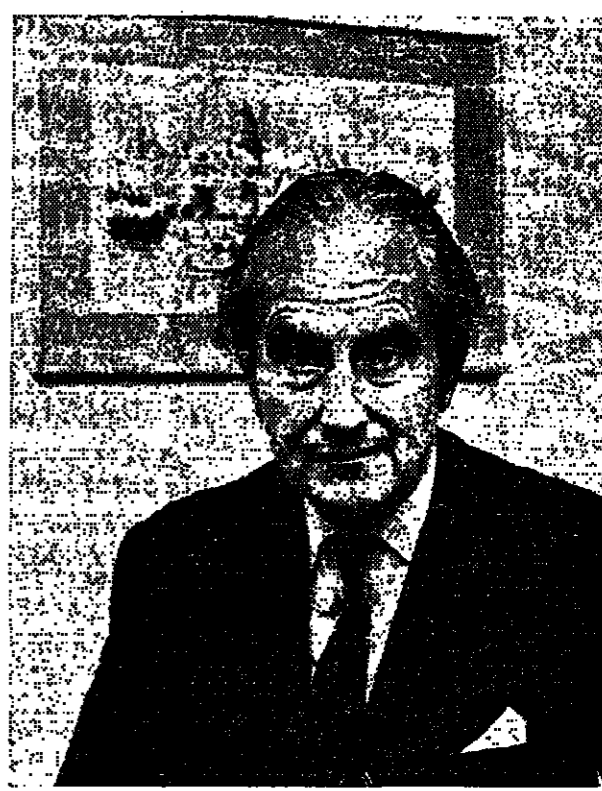
Involvement

If propositions are rejected, it is for very diverse reasons. It may be because the product is not considered sufficiently viable; management may be inadequate; or, typically, an investigation will make it clear that the company's systems and financial controls are very weak.

For example, costings may be completely inadequate and it emerges that while eight products are being made only one or two are profitable.

There is clearly a possibility that some of these situations would be viable if new management were put in, but Norman Baldock says that this is not Gresham's policy. "We invest

tions of its type, Gresham in the people who run a business," he says. And equity stake, not only for security reasons, but also because it is the only way it is number of client companies, likely to get an adequate return they are there purely in a on the money it is lending. "financial, guiding sense." Any Equally, while much of the more direct involvement in



Peter Wreford: "We make it clear at the first meeting that we probably want equity."

management would obviously incur any organisation in Gresham in considerably increased overheads.

The anxieties felt by small company owners are not, apparently, without foundation. Preparation of a financial report is "often a traumatic experience" for the company's management, according to Mr. Baldock. The owner "feels he has bared his soul to us, but he does not know what has hit him when the accountants have gone in."

But this does not happen in every case and is not an unexpected reaction among people who have probably retained very private control of their affairs for a number of years.

Gresham is reluctant to disclose the minimum amount of loans it is prepared to extend, largely, it seems, so that it can retain greater flexibility in its selection process. However, it does appear to be one of the very few institutional lenders prepared to lend £25,000 (even less, on occasion) by way of medium- and long-term funds.

Whatever the sum, the finance is generally for development purposes or to buy out a shareholder, although the door has not been closed entirely on venture capital projects. Its reluctance to back start-up situations is due to what it considers is a

general lack of experience among people putting in ventures which require capital. The risk capital Gresham is most likely to consider seriously is where somebody who has a lot of experience in large company and wants to put up on his own in a sphere. Their credibility Mr. Baldock, is that greater.

One of the problems financiers such as G Trust, particularly where an aspiring client is a small company, is simply the cost of mounting the operation. A full investigation of all aspects of a company's trading history and financial position, means that the cost will be "enormous," says Baldock. Gresham is the working on a formula will enable the process done in stages so that its cost can be kept in check.

But of prime importance to any banking institution is getting the customers' door, and breaking down ingrained apprehensions and prejudices. Here Norman Baldock maintains that body who approach merchant bank for this service won't be faced with a reception he cannot cope

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Small business: new challenge to pension funds

MORE MONEY should be channelled by pension funds into the small company sector, according to a report by the Business Graduates Association. It is also felt that financial institutions should be more prepared to provide management expertise for such companies in early stages of their development.

Within the context of a general need to encourage an expanding small company sector (at present it is contracting), the BGA report points to the potential of large industrial groups having off small subsidiary companies by, for example, selling them to the senior executives concerned. Tax incentives should also be introduced by the Government, it is argued.

To bring about a small company resurgence also requires changes in social attitudes, it is maintained. In the U.S., more businesses continue to thrive and multiply than in the UK. "We believe this is largely because the U.S. has had a consistent public policy of fostering private enterprise, and the American who starts up a small business from scratch and builds it up into a livelihood for himself and his family is generally held in high regard by his local community. This is far from being true at the present time in this country."

Deterioration

On the position of financial institutions, the BGA report—pointing to the deterioration in the small company climate since the Bolton Committee report on small firms in 1971—maintains that "the future role of pension funds will be critical as they will contain the major reservoir of 'forced' private long-term savings." It is also argued that it seems "economically myopic" that pension fund managers feel obliged by their trustee status to invest the vast majority of their funds in the larger public companies.

Given the right opportunity and conditions, small companies can play an important part in developing national self-sufficiency, energy conservation, and the formation of intermediate technology to assist developing nations, says the report.

The report does not believe there will be a demand in the future for new technology products at the rate experienced up to now. But it does see technological innovation as important to Britain's present

need to develop new industries to replace those being killed off by competition abroad. But to get individuals or institutions to back such innovation will require "special, enlightened tax rules."

Even so, says the report, there is still a problem of grafting suitable management expertise on to entrepreneurial inventors. It is suggested that institutions providing the financial backing "must be prepared to participate in the management of these ventures, certainly during the early stages of the commercial exploitation."

Such a view is in marked contrast to the past and current practice of the financial institutions. For the most part they have deliberately avoided such an involvement, preferring to maintain contact largely by means of formalised reporting systems and informal contacts.

The report is critical of the lack of action following the Bolton report. Tax reforms were ignored by Government, as were recommendations for local small firm advisory bureaux with expert personnel. The small firms sector, while Department of Industry does not have the necessary qualified staff or resources to adequately monitor the problems of small firms, says the BGA report. Equally, little has been done to co-ordinate and publish results of research into the small firms sector and secondary schools and further education colleges have done little to identify the training needs of those wishing to start and run their own businesses.

Banks and finance institutions are also criticised for not providing small firms with comparative information about the whole range of various investment criteria adopted by individual institutions; they are also attacked for not giving advice on how to apply for funds. The report also blames the accountancy and legal professions for not training their members sufficiently to specialise in advising small firm clients, making the point that their advice is "vitaly important as the advice of bank managers and representatives of finance institutions, however, helpful, is inevitably biased."

The report, Small Firms, was produced earlier this year, but has only recently been published by the Business Graduates Association, 87 Jermy Street, London SW1.

Nicholas Leslie

August 1978

This announcement appears as a matter of record only.



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Cinema

Rich crop from America

by NIGEL ANDREWS

Edinburgh Film Festival
FIST (A) Leicester Square
Theatre

Working administrative miracles with a grant of £25,000, Edinburgh offers the best value for money of any film festival in the world. You will see more movie masterpieces at Cannes and Berlin, and you will be better wined and dined at Tehran and Taormina. But I doubt that any festival comes nearer to the ideal mixture of seriousness and enjoyment than Edinburgh.

Ironically, although the political slant of the festival is left-wing, well over half the new films this year came from that bastion of capitalism, America. A further 30 per cent or so came from Free World countries like West Germany, Britain and Japan, and only two movies came from behind the Iron Curtain: one from Hungary, one from Poland. I'm not sure how these statistics reconcile these statistics with their socialist beliefs: but perhaps they are deliberately focusing on countries where political debate is still alive and relevant, and where the revolutionary prize has not yet been won.

What the selection proves is that America is still a country of matchless vitality in the cinema. What other nation could have produced a crop of movies — from left, right and centre — as rich and diverse as those seen at Edinburgh? From documentaries like *Family Portrait* and *Word Is Out*, "B-movies" like *Outside Chance*, political fables like *The Boss's Son* and *On The Yard*.

Outside Chance is a film of unrepentant absurdity, but it deserves top billing in this report for its sheer exuberance. Edinburgh has maintained its loyalty to the American exploitation movie through years of scepticism and/or abuse from "serious critics": it honoured Sam Fuller and Roger Corman with retrospectives, and it has regularly included an anthology of B-movies from the year's offerings, as a counterpoint of the ridiculous to the sublime.

Outside Chance is so ridiculous that it almost is sublime. This sequel to Jackson County Jail shamelessly regurgitates the first 15 minutes of the earlier film — in which chic business-woman Yvette Mimieux sets out to cross America by car and fell victim en route to assault, wrongful arrest and rape, and then takes on a quite different continuation. Nothing so wonderfully absurd as Miss Mimieux's cliffhanging adventures here on escaping from a woman's prison (including terror at the hands of a family of bear-skinners and romance with a forest-dwelling content pianist) has been seen since *Baywatch*. The Valley of the Dolls; and although as a pilot for a TV series *Outside Chance* is not scheduled to reach your movie screens, I suggest you hope and pray that some enterprising British distributor will show it.

It certainly knocks the shine off that much-praised slice of comic-strip Americana *Citizen's Band*, soon to open in London, and it shows up the decent-but-dull American films like *The Boss's Son* (worker discontent in a carpet factory) and *On The Yard* (the micro-politics of prison life) for the well-intentioned also-rans they are.

It does not however, outshine the two documentaries mentioned above. *Family Portrait* Settings is a photograph album come to life. Looking through the pages of the past, film-maker Paul Guzzetti has recreated — with photographs, home movies and interviews —

the life and times of his immigrant Italian parents and grandparents in a beautifully upbeat and affectionate film. Peter Adair's *Word Is Out* is a riveting two-hour anthology of interviews with American gay men and women. The film is nothing but talking faces, but when the talk and the faces are this engrossing, who complains? Twenty-six homosexuals chronicle the stories of their lives — they range from a plump lesbian comedienne to a gay San Francisco politician (whose early life as a homosexual included an enforced spell of ECT treatment) to a 70-year-old male couple living happily ever after in rural New Mexico — and the film deserves a loud ovation for a pro-homosexual public relations act long overdue.

Britain's contribution to gay liberation is *Nighthawks*. This film, written and directed by Ron Peck and Paul Hallam, has a forlorn and down-at-heel charm that you either instantly warm to or instantly resist. Resisters will find the story of a young schoolteacher (Ken Robertson) who spends his nights running the dire gamut of London gay discos, and his days nervously disguising his sexual propensities from his colleagues, eminently unalluring. But I warmed to it: not least to the accuracy with which the small talk of gay encounters is seen to mask a gnawing emotional insecurity, and to the power of a scene near the end in which the school children confront the hero with the question "Sir, are you bent?" and when he answers "Yes" subject him to an explosive, barrage of sarcasm, ribaldries and frontal interrogation.

My Way Home is the last film in Bill Douglas's autobiographical trilogy of a Scottish boyhood. The Dickensian overtones of *My Childhood* and *My Ain Folk* are again to the fore, and Douglas's brand of expressionist minimalism — static camera, stark contrasts of black and white — is more stylised than ever. But something vital is missing. The early scenes of the young hero's misadventures in and out of a Scottish children's home are staged with a bleak, but there are occasional outbursts of intensity; but when Douglas

whisks his RAF-conscripted hero off to a desert outpost in Egypt the film — with half its length still to go — virtually grinds to a halt. Douglas evokes no imagery in Africa to evoke and underscore the hero's mysterious emotional catatonias — as he did find in the black cobbled streets and dismal terraces of his native Scotland — and one ends by wondering if Douglas is one of those film-makers whose genius withers when transplanted.

Emotional paralysis is also the theme of the German film *A Woman and Her Responsibilities*, directed by Ulla Stockl. Its heroine is an unhappily married and mentally disturbed wife and mother who takes emotional refuge in a cleaning fetish (she has been scarred by a childhood housekeeping for her divorced father). She cannot leave a bathroom floor unscrubbed or a brass doorknob unpolished. The story is intriguing and the treatment oscillates engagingly between pathos and a bleak, cautionary comedy.

Less engaging is another German film, Helke Sanders' *Am Abend Reduziert Persönlichkeit*. This sub-Godard tract of awful solemnity tells us about a West Berlin photographer (played by Miss Sanders) who is determined to show her fellow Berliners and the political powers-that-be that life on this side of the wall is just as drab and oppressed as life on the other. Since she is practically a one-woman Reign of Misery herself, she almost succeeds: but not without the help of much political sloganeering and a line in holier-than-thou austerity worthy of Joan of Arc.

Finally, two movie events that London is about to share with Edinburgh. Shakti Terayama's *The Boxer* was seen at Edinburgh last week and opens at the Scala, London, this week. It is not Terayama's best film — for that take your choice between *Throw Away Your Books* and *Pastoral Hideout* — but it is a Hollywood-style sentimental air surrounds this story of a retired boxing champion who coaches a talented but hot-headed newcomer to success. But there are occasional outbursts of intensity; but when Douglas

that give the film a needed vitality.

The commercial cinema has only one new offering in London this week, *FIST*. This is the second film scripted by and starring Sylvester Stallone, and it specialises in much the same rough charm and homespun moralising as *Rocky*. Stallone plays an immigrant worker who rises from small beginnings as a union organiser in Cleveland, Ohio, (circa 1937) to become head of the national union "FIST" (Federation of Interstate Truckers). The road to success is paved with corruption, however, and hardly has he reached his coveted eminence before he is hauled up before a Senate investigative committee, headed by Rod Steiger, and charged with abusing union funds and union power.

The early part of the film is shot in burnished browns (photography by Laszlo Kovacs) as if to set a tone of earthy, reverential simplicity: one is briefly alarmed that what is to unfold is a holy parable about the Heroism of the early trade unions. Both Stallone's adonoidal moron-youth and Henry Wilcoxon's haughty factory manager seem like opposite ends of the same caricatural spectrum, and director Norman Jewison looks as if he is drastically limiting his didactic options to a straight choice between *Up The Workers or Hands Across The Boardroom Table*.

But while keeping in stylistic terms to the straight and narrow of Hollywood melodrama, the film starts to vary its political viewpoint and take its perspectives. The Stallone character, while not losing his credibility as the tough guy with a heart, gradually succumbs to the temptations of using strong-arm union tactics and of forging alliances with dubious local racketeers. A ten-year leap in the narrative shows us Stallone at the crest of his power, as a grey-haired Union President. Then right on cue Rod Steiger enters as Nemesis. The ending is ambivalent — are we to see Stallone's downfall as an indictment of the unions themselves or of the Whole Capitalist System? — but ambivalence is a big advance on the picture-book simplicity of the early scenes.

Her Majesty's

The Matchmaker by MICHAEL COVENEY

It is a sad sign of the times that a modest, under-cast touring production of Thornton Wilder's gem of a play is brought in to fill a few weeks at a theatre that streams out for something bold, brash and preferably musical. In fact, for most of the evening, one is reminded what a wonderful book was made of this play for *Hello, Dolly!* Dolly Levi's entrance in the Harmonia Restaurant was a magic moment in post-war American musicals. Here, Maria Charles slides almost apologetically into a cramped, charmless cafe where white trelis and perfunctory furniture makes eating, let alone dancing, a positive risk operation.

It is not the sort of play that can survive under-designing, which is what Saul Radomsky, on a limited budget, provides. The milliner's shop is an unattractive, candy pink hide-out more typical, probably, of provincial Yankers whence the company have arrived in search of city lights and romance. The essential tension between Horace Vandergelder's hay feed and provision store and the land of milk and honey in New York counts for little. Even the famous set pieces, such as the explosive shutting up of shop amidst a shower of tomato cans, achieve only a bathetic effect; you can almost see a stage manager pitching a few desultory armfuls of the stuff into the playing area.

The Cambridge Theatre Company's production garnered some glowing reviews out of town. I can only guess that the replacement of Vivienne Martin by Maria Charles in the central role has, surprisingly, resulted in a



Bernard Spear and Maria Charles

dissipation of stage energy. Miss Charles is husky and frivolous but not at all dominating. She has, in truth, very little to dominate, for the surrounding cast are about as home in the play as a tramp in Macy's. And for so American a piece, with its Tucker (Tom Kieh), scores consistently with expressions of doe-eyed innocence beset by temptation. As Vandergelder, Bernard Spear (who appeared in the same part in the Drury Lane take-over

happier when downright corny and sentimental. Vandergelder's two adventurous clerks make off with the milliner's after a splendidly sung refrain or two of an old camping song, and the youngest of them, Barnaby Tucker (Tom Kieh), scores consistently with expressions of doe-eyed innocence beset by temptation. As Vandergelder, Bernard Spear (who appeared in the same part in the Drury Lane take-over

cast of *Hello, Dolly!* opposite Dora Bryan) is secure but, like so much else in the evening, lacking in comp. I always thought this Wilde was softer on the awful home spinning philosophy of *Our Town* and *The Skin of Our Teeth*, but what there is of it is hard to take especially as you feel that a diluted theory of actor/audience relations is being perpetrated under a cloak of cosy familiarity

Torre del Lago

Remembering Puccini by WILLIAM WEAVER

When Giacomo Puccini first came here, towards the end of the last century, there was no road from the seaside to Lake Massaciuccoli. His villa, built a few years later, was at the water's edge; and, crossing the brief garden, he could step straight into one of his boats and set out hunting wild ducks and other water-fowl. For a decade or more his letters were filled with the joy of the remote place when he was there and with homesickness when his

the Versilia coast. The Puccini Celebrations began here in 1930, with a memorable *Bohème* conducted by Pietro Mascagni, starring Rosetta Pampanini and Margherita Carosio. There were two operas the following year (with Gigli in *Bohème* and Pampanini as Butterfly). Then performances became sporadic, until 1953, when the Torre seasons began again.

There have been gaps (a long one, between 1966 and 1971, for example); but now the local and regional authorities seem determined to put Torre del Lago's Puccini performances on a regular footing. One Florentine critic insists that the town should be turned into a "Puccinian Bayreuth."

From the beginning, the Torre del Lago performances have obviously attracted stars, and this summer was no exception. For its two productions — *La Bohème* and *Madama Butterfly* — it had Maria Chiara, Katia Ricciarelli, and Raina Kabaivanska. I heard Chiara as Cio-cio san and Ricciarelli as Mimì (later Kabaivanska sang some Mimìs), and both artists were in excellent form, well-supported, too, by their colleagues.

Maria Chiara's range is a bit limited. Naturally, she did not attempt the optional D-flat in Butterfly's entrance song, but even less arduous high notes gave her trouble and sounded unsteady. Otherwise, she was splendid, phrasing sensitively, giving words their proper value, and presenting a plausible, touching heroine of unusual stature, more tragic than pathetic. Ottavio Garaventa was an opera — of outdoor music in sound Pinkerton, and Antonio Boyer a dignified Sharpless. The drawbacks of outdoor Nino Bonavolonia, an experi-



Katia Ricciarelli as Mimì at Covent Garden

enced veteran, obviously knows them too, and he kept the performance together by setting a fairly brisk pace and maintaining it. Giovanni Miglioli designed an attractive set, which served for all three acts, thus creating some incongruities in Acts II and III, meant to take place indoors. As producer, the same Miglioli did not solve all these problems (and he overdid his use of supers), but in general the staging was unobtrusive and pleasing.

Miglioli created even more handsome sets for *Bohème*, which was deftly staged by Dario Micheli. Edoardo Müller, chief répétiteur of La Scala, conducted, employing subtle and flexible tempi, though sometimes at the expense of ensemble. Katia Ricciarelli, who has shed a few pounds, was a Mimì convincing to the eye and delightful to the ear. Unlike most singers faced with an open array of seats, with no resonant walls, she did not force her voice. Her singing was fluent, but almost subdued, deeply felt. Launched abruptly, and too soon, on her career a few years ago, she has been remarkably able to grow and mature while following the familiar jet-track from one great opera house to another.

Giuseppe Giacomini was a generous-voiced, somewhat provincial Rodolfo. He is certainly a useful singer, however, and one would like to hear him in a roofed, walled theatre. As Musetta, Mariella Devia used her clear, soubrette's voice with charm and brio; and Angelo Romero was a musical Marcello. Gianni De Angelis (Schumard) and Silvano Pagliuca (Colline) admirably completed the quartet of Bohemians.

Book reviews are on
Page 25

work called him elsewhere. Then civilisation — in the form of a pest-processing plant — drove him away. He settled in nearby Viareggio for his last years, though he kept his Torre del Lago house and often visited it.

Now Torre del Lago has become a popular vacation resort. Part of the lake around the Villa Puccini has been filled in to make a paved area, and there is the Bar Lido, next to the villa, and the Ristorante Pensione Butterfly. Souvenir stands cluster near the gates of the maestro's house (open to the public) and you can reach it directly by bus from the Viareggio station.

But, in all this inevitable commercialisation, Puccini's music has not been forgotten: in summer an outdoor theatre is set up on a curve of the lake, and opera performances delight the temporary settlers and attract further visitors from other resorts along

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Worcester Cathedral

Three Choirs Festival

by NICHOLAS KENYON

Worcester is the host town this year for the 251st annual meeting of the Three Choirs of Worcester, Hereford and Gloucester. The west end of the Cathedral is banked up with row upon row of seating to accommodate the serried ranks of local choirs and choruses. The audiences, as dutifully open-minded as ever to the mixture of ancient and modern which this festival has traditionally provided, throng the town — which celebrates the event with bunting on the roundabouts, a flurry of art exhibitions in every spare space, and *The Sound of Music* at the Odeon.

But the time-honoured affirmations are muted. There is little triumphalism in this year's Three Choirs programme: no Messiah, no Elijah, no Pomp and Circumstance. The temper of the times is reflected in a mood of turn-of-century uncertainty. The Dream of Gerontius, with its still potent mixture of doubt and faltering faith, seems to have become the Festival's central work it opened this event on Saturday, and will begin the 1979 Festival in Hereford; the Faustian mystery of Mahler's Eighth Symphony will end the Festival tomorrow evening, and in between there will have been the predominantly pagan splendours of *Belshazzar's Feast* and Janacek's *Glagolitic Mass*. Most revealingly, the one liturgical work written for the Festival is a motet by Roger Hemmings setting Matthew Arnold's profoundly disbelieving sentiments: "The sea of faith was once, too, at the full . . . but now I only hear its melancholy, long, withdrawing roar."

Several of the Festival's themes came together in Tuesday evening's marathon concert of music by Schubert, Lennox Berkeley, Messiaen and Anthony Payne. New British choral music with a religious, though not

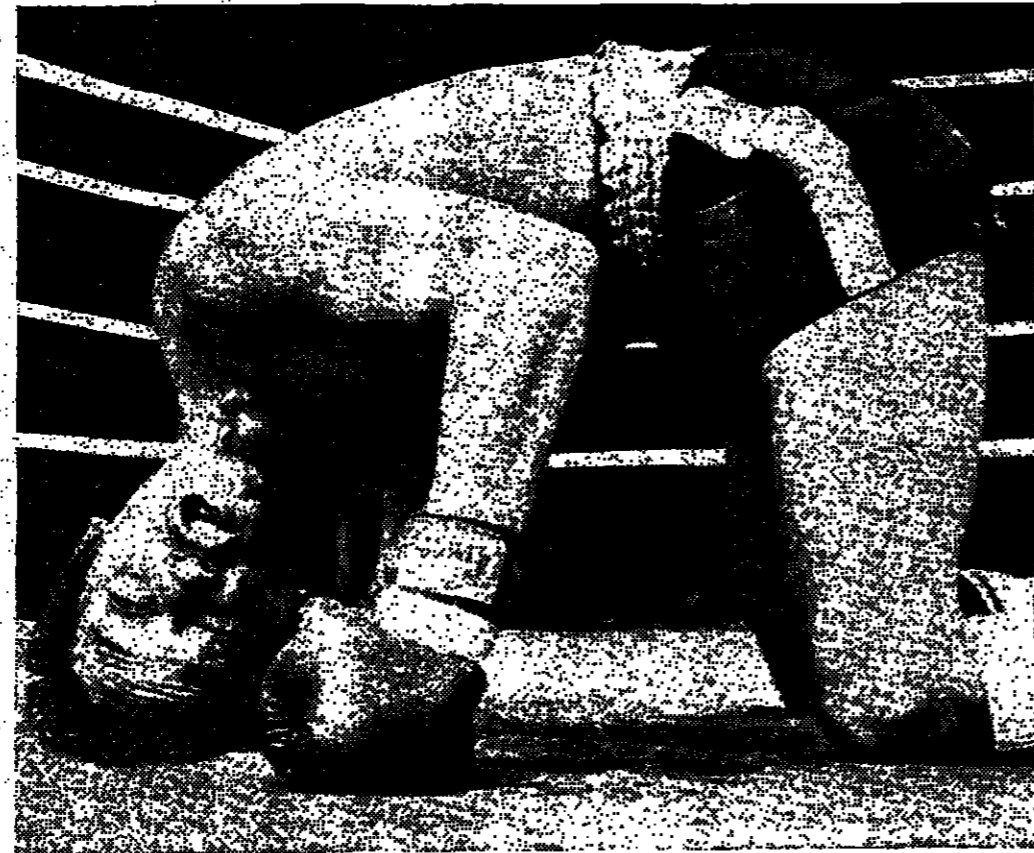
liturgical, intent, was represented by Anthony Payne's striking pair of mini-cantatas for Ascensiontide and Whitsuntide (sequels to his uncommonly effective Lenten Passiontide Cantata). Spurning conventional texts, he turned to the famous Anglo-Saxon poem which may be by Cynewulf for his Ascension narrative, and to Emily Brontë's *The Prisoner* for a Whitsun meditation. Each was set for four-part chorus with occasional semi-chorus — unaccompanied, though on this occasion the performances were helped by an intelligent and discreet prompting from the organ.

Payne's music in both these works is angular, jerky, very well paced, but in need of powerful direction if it is not to seem discontinuous. I thought the verse refrain structure of Brontë's poem, with its recurrent "Veni Creator spiritus" (developed with beautiful subtlety), worked better than the straightforward narrative of the Anglo-Saxon — in a slow performance, which failed to cohere. In the Brontë, too, the balance of melismatic, homophonic and fragmentary contrapuntal writing was tellingly contrived: its one climactic passage was far more effective than the diffuse high-lights of the Ascensiontide piece.

That the boys of the Cathedral choirs could go straight on to give an ecstatic account of Messiaen's glorious *Trois Petites Liturgies de la Présence Divine* which was in many ways the best performance of the evening is a tribute to their stamina, and to the ability of the Festival Conductor, Donald Hunt, to draw the very best from his forces. The rhythmic impetus of "Il est parti le Bien-Aimé" was irresistible, and apart from one brief hiatus, the third section made its rhapsodically sensual effect very powerfully. Two hours and fifty minutes from the start, the audience was understandably a little restless; this concert would have worked well without Hunt's new edition of Schubert's charming but scarcely significant B flat Mass — a pretty teenage concoction with some fine lyricism in the Kyrie and Credo weighed down by a very conventional Sanctus and Benedictus. Lennox Berkeley's *Antiphon* for string orchestra could have started the concert; this 1973 Cheltenham commission has worn well, though its variations on a plainsong theme now seem less powerful than the splendid free fantasia which precedes them. The BBC Symphony Orchestra played with sympathetic warmth; they had overwhelmed the light Cathedral voices in the Schubert.

Wednesday brought a wholly English afternoon concert, well complemented by an Evensong which included Tippet's pungent *Magnificat* and *Nunc Dimittis* and his lovely *Plebs Angelica*. Only Finzi's *Dies Natalis*, in which English pastoral is so curiously fused with the introverted mysticism of Traberne, provided a challenge to Tippet's strength: Neil Jenkins was in excellent voice. Vaughan Williams' *Oboe Concerto*, played by Richard Welgall, echoed almost imperceptibly around the Cathedral, making any great effect. Rubbra's choral suite *Inscrupe* began the concert with its four settings of Gerard Manley Hopkins, adding to the feast of religious poetry in the Festival and Britten's *Comata Miserere* ended it.

This uneasy combination of Slavinskian detachment (in its Latin text and ritualisation of the Good Samaritan story) and Schoenbergian compassion (in the singing of the Traveller Christopher Keyte) made for a milk- and water-centenary tribute to the Red Cross in 1963, and time has not improved it.



Kentaro Shimizu in 'The Boxer'

Friday September 1 1978

Britain's grand design for tomorrow's jets

By MICHAEL DONNE, Aerospace Correspondent

Muffling the jobs debate

THE FUTURE of employment in this country is no longer a subject which can be left to experts, officials and academics. In one sense this shows a remarkable growth of public understanding. It is now generally appreciated that demand management, as practised up to the end of the 1960s, can no longer be used by this country in isolation to pull the economy up by its own bootstraps: that option is not available in a small open economy.

Protection
This understanding, however, has simply made people more worried about the prospect, and potentially more impatient with the existing order of things. The trade unions now show a more obsessive concern with job protection than with any other issue, and have put a campaign for shorter hours, with the aim of spreading the available work, at the top of their list of objectives—a demand which has so far been turned down flatly by the employers. On another tack a Cambridge group which has the ear of Mr. Anthony Wedgwood Benn is campaigning tirelessly to persuade the Government in effect to abolish the open economy, and revert to demand management behind trade barriers. Yesterday the Public Expenditure Committee added one more to the list of cures which might prove worse than the disease, in a call—perhaps it is a forecast—that existing temporary measures of job creation should become permanent.

One trouble with this whole set of arguments is that we are still very far from understanding the underlying forces at work. A predominant fear at the moment is that technological development, which tends to raise labour productivity, will ensure that no foreseeable growth of demand will in fact contribute anything to employment. This is the rationale of the TUC's demands: increasing productivity is seen as offering little beyond increased leisure, which should be shared out. The record of dynamic economies such as Japan, in which productivity has for years risen at rates

which are by British standards astronomical shows that this is logical nonsense: high technology under proper management should bring correspondingly high growth. What is urgently needed if this debate is not to be left to a damaging struggle between fear and prejudice is more understanding; and in this context the Expenditure Committee is entirely right to have demanded to know the Treasury's thinking on this subject. The Chancellor, after wavering for a time, decided to keep the Treasury's medium-term work secret on the grounds that to release necessarily inaccurate and presumably alarming figures would do more harm than good.

This attitude of not-in-front-the-children is understandable, because medium-term forecasting—or rather, projection—is difficult and prone to error, as the Expenditure Committee understands. It is still entirely wrong-headed, however.

Alternatives
The danger of misunderstanding could be avoided by publishing a really adequate amount of information, in which the whole range of alternative assumptions and relationships was displayed. The admirable working papers which the Treasury has already published have not alarmed lay opinion, because lay opinion cannot understand them. At least, though, those involved in the technical debate would have some frame into which to fit their own ideas—and against which, incidentally, to measure what Ministers say. That is what open government is all about.

The projections may be gloomy—indeed, they are bound to be. The economy has performed badly, and if it goes on doing so, the outcome will be bad. In other senses it could be heartening, both in showing what might be achieved with a better performance, and in isolating those parts of the problem which are at root social, and which may require what the Americans call "targeted" measures from the general malaise. Even a faltering light is better than fighting in the dark.

Progress on Namibia

IF ALL goes according to plans originated by five Western nations, including Britain, the United Nations Security Council will within the next few days authorise the formation of the biggest peacekeeping force in the UN's history with the single exception of that sent to the Congo in the early 1960s. The force, of some 7,500 men, backed up by civilian and police contingents of at least 1,500 people, will go to Namibia, where it will supervise the end of the 50 year, certainly Mr. R. F. Botha, and organise a handover to an elected majority government.

The plan for Namibia, conceived 18 months ago by the U.S., Britain, France, Canada and West Germany, is bold and imaginative. Its primary aim is to stop the guerrilla war being waged by Swapo, the main Namibian nationalist movement, against the South African controlled administration and some 20,000 South African troops, and thereafter to hold elections for a peaceful transfer to majority rule. That, if accomplished, would already be a major achievement.

Implications
But a peaceful settlement in Namibia, as the five Western powers are well aware, would be likely to have implications far beyond Namibia itself. It could, for example, ensure much more stable governments in western and central Africa. The Cubans are in Angola at least partly because of the unsettled Angola-Namibia border: their numbers might be reduced if the border is peaceful, while the main Angolan opposition movement, Unita, is likely to find less support from South Africa in those circumstances. A more stable Angola would also be in a much better position to maintain the promising recent agreements with its northern neighbour Zaire, a development which could only help Zambia, which borders Angola, Zaire and Namibia.

Clearly, too, the western powers hope that a Namibian settlement could help promote the front line African states, a solution to the even more intractable Rhodesian problem, such a task can now be the hope—however faint—is discussed as a practical that all the parties to the proposition.

THE MAJOR decisions approved by the British Government yesterday will settle much of the future civil aircraft work-load of the British aerospace industry for the rest of this decade. They will cost upwards of £750m to implement, and should ensure a place for Britain in most of the short-to-medium range airliner markets of the next 20 years or more.

The decisions are two-fold. First, British Aerospace is to be allowed to join Airbus Industrie, the European manufacturing group, to help develop the new A-310 200-seat twin-engine wide-body version of the A-300 Airbus, subject to approval from the French and West German Governments.

Second, Rolls-Royce can go ahead with the £250m full-scale development of the 535 version of the RB-211 engine, for use in the new Boeing 757 twin-engine airliner. British Airways will place an order for 18 of the aircraft, worth over £400m. Together with an order from Eastern Air Lines of the U.S. for another 21 of the 757s with 535 engines, Boeing will have enough orders on hand to launch the 757 on to world markets—its second new airliner venture this year, following the launch of the bigger 767 twin-engine airliner earlier this summer.

The vital question still awaiting an answer on the British resumption of membership of Airbus Industrie is whether the French and West German Governments will accept the British attitude that while British Aerospace can join the club there can be no question of British Airways being ordered to buy the A-310 version of the Airbus. It is being made clear to the Continental members of Airbus Industrie that while British Airways must be allowed to fill its immediate needs with the Boeing 757, it is nevertheless ready to consider the possibility of an eventual purchase of the A-310, provided that the aircraft can be fitted with another version of the RB-211 engine, the Dash 22 model of about 40,000-lb thrust. At present, the A-310 is planned around the U.S. General Electric CF6-45 engine.

On the assumption that the French and West Germans would really prefer to have British Aerospace engaged in the A-310, rather than outside it, the hope is that they will accept the formula now proposed, and welcome British participation. From the British point of view, there is now no doubt that the Government itself firmly wants to see British Aerospace in the Airbus Industries group, and that it has ruled out any form of direct aircraft collaboration with Boeing of the U.S. in the development of new short-to-medium range civil airliners, such as financing a share of the

work programme on the 757 aircraft.

But the UK Government is demonstrating its belief that while it sees British Aerospace's aircraft activity wedded to Western Europe, it is prepared to allow its engine manufacturer to find its markets worldwide where it can, and to ensure that British Airways itself is also allowed the commercial freedom to buy what airliners it considers best for its task.

If the British Aerospace negotiations with the French and West Germans are successful, the intention is for the British manufacturer to have a 20 per cent stake in the A-310, probably building the wings, as it does already (under sub-contract) for the existing highly successful B-3 and B-4 versions of the Airbus.

Thus, there is every reason to hope that the British overtures will be acceptable to the French and West Germans.

At its peak, work in British Aerospace on the A-310 could involve about 7,000 workers, mainly in the Hatfield-Chester division where the wings for the existing B-2 and B-4 Airbus are already being built. But parts of the work may also be sub-contracted throughout the British Aerospace group.

So far as the other major decision is concerned—the full-scale go-ahead for development of the Rolls-Royce Dash 535 version of the RB-211 engine—the cost involved is likely to be in the region of £250m, and provide up to another 5,000 jobs directly at Rolls-Royce, and at least a similar number in various equipment and component sub-contractors. This engine, whose power ranges between 32,000 lbs and 39,000 lbs thrust, is a derivative of the already highly successful RB-211 engine in its higher-thrust ratings of 42,000 lbs and upwards. It has been developed especially by Rolls-Royce to meet the requirements for a smaller generation of airliners than the wide-bodied 20-seater short-to-medium range Airbus, which is why it is such a suitable candidate for the Boeing 757 aircraft.

Rolls-Royce and Boeing believe strongly that upwards of 1,000 airliners in the 757 category will be needed through the rest of this century, and that the engines in them alone could be worth upwards of £1bn. While the RB-211 Dash 535 is being offered by Boeing, and has been accepted by Eastern Air Lines and British Airways, the other big engine manufacturers, General Electric and Pratt and Whitney, also have engines in this broad class, and will be trying to sell them to other prospective airline customers of the 757.



Sir Kenneth Keith, (left) chairman of Rolls-Royce, with Mr. Tex Bouillon, president of Boeing, in London yesterday with a model of the RB-211 535-powered Boeing 757. The twinjet airliner project has launching orders from British Airways and Eastern Airline of the U.S.

other, smaller types of aircraft already proposed by Airbus Industrie beneath the A-310, in the so-called Joint European Transport (JET) programme for two airliners, the JET-1 seating 136 and the JET-2 seating about 160. While much discussion has been in progress this past summer on these two aircraft, there is much less pressure to launch them, despite the fact that it is recognised that there is likely to be a big demand for aircraft in these categories over the years ahead.

But competition will be extremely fierce. The JET-1 will be on a direct collision course with the existing Boeing 737, but it does seem that there is the longer-term possibility of eventually achieving one of British Aerospace's own dreams—a tripartite collaborative venture with Airbus Industrie and McDonnell Douglas of the U.S. to develop perhaps the latter company's ATMR, again using the RB-211 Dash 535 engine.

One of the reasons for this trend of thinking is that it would enable Rolls-Royce to get a more direct share of the proposed European aerospace manufacturing business than is currently likely. The existing JET proposals are based round the use of a French-American engine, the Snecma-General Electric CFM-56, which is a new power-plant of upwards of 22,000 lbs of thrust. Rolls-Royce does not have an engine in this

category, and so could not get a share of either of the JET ventures even if it wished to do so.

Rolls-Royce sees its future firmly hitched to the U.S. aircraft industry, and to Boeing, and wants to see its 535 engine offered around the world, not only in the 757 but also in the ATMR if possible. The UK Government has recognised this, and has deliberately left the question of what to do about the smaller JET ventures in Airbus Industrie to British Aerospace to settle, once it is back in the Airbus Industrie club. Its strategy is based on the belief that once back in the club, it might be possible to steer Airbus Industrie away from the JET ventures towards an airliner more closely akin to the ATMR, using the 535 engine and probably bringing in McDonnell Douglas also.

What is clear is that the British Government has accepted British Aerospace's basic dislike of the Boeing company's own original offer of a direct risk-sharing collaboration on the 757 aircraft (the U.S. company had offered British Aerospace up to about 40 per cent of the 757 aircraft work). While some members of the Government had been in favour of picking up that original Boeing offer, the political repercussions of joining Boeing and rejecting Western Europe have been regarded as outweighing any long-term benefits that might have accrued from direct risk-sharing work on the 757 aircraft.

Boeing itself will still go ahead with the 757 with the Dash 535 engine, but will now get most of its aircraft partners from a group of U.S. sub-contractors.

What now has to be determined is what McDonnell Douglas will do. It has already decided to abandon its twin-engine DC-X-200 airliner design in the 200-seater category, because of the competition offered in this market by both the A-310 version of the Airbus and the Boeing 767 design. But it cannot be expected to sit back and let Boeing get away with the 757 as well, and it is expected that McDonnell Douglas will announce very quickly a decision of its own to push ahead with the ATMR, also probably offering the RB-211-535 engine as one of the powerplants. It is possible that it will announce this at the forthcoming Farnborough air show, starting on Sunday. If it does so, the scene will be set for two titanic battles for future world airliner markets—between the Airbus-Industrie A-310 and the Boeing 767 in the 200-seater category, and between McDonnell Douglas with the ATMR and the Boeing 757 in the smaller category. Between them, these four aeroplanes are likely to dominate the world airliner scene for many years to come.

membership of Airbus Industrie on the A-310, leaving the question of work on the smaller programmes to be settled later. This view still prevails.

This does not mean that one or another of the smaller JET ventures will not be built, but it does mean that they could now be substantially changed in character. British Aerospace is not in favour of the JET-1 and JET-2 designs as they now stand, and would really like to see a much improved design emerging in this smaller category of aircraft, beneath the A-310. Just what that design could or should be is still a matter for discussion, but it does seem that there is the longer-term possibility of eventually achieving one of British Aerospace's own dreams—a tripartite collaborative venture with Airbus Industrie and McDonnell Douglas of the U.S. to develop perhaps the latter company's ATMR, again using the RB-211 Dash 535 engine.

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MEN AND MATTERS

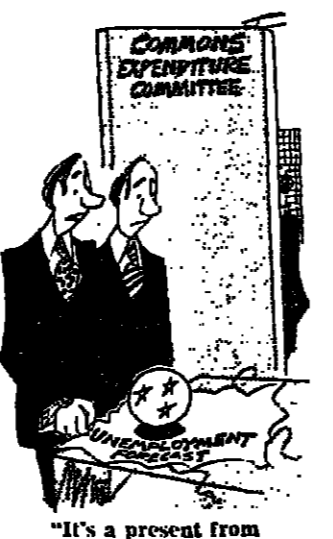
Fresh look at tolerance

Britain, together with Denmark and Norway, apparently leads Europe in a curious field—that of tolerance towards Nazi-style activities. A recent survey found that just flashing a Fascist salute can be against the law in Italy, while in the Netherlands a publisher was blocked last year from publishing Hitler's Mein Kampf. One French mayor has just blocked the sale of the Nazi memorabilia which sell relatively well in London's Portobello Road, while it seems that some of the Nazi uniforms being sold in Paris were made in Britain with insignia from Hong Kong.

Changing the law in Britain is not apparently planned by the Conservative Party, but the Labour Party tells me that it is about to finalise a policy document which would lead to changes in the Race Relations Act. The document was discussed at the last meeting of the party's National Executive Council but there was some disagreement on the exact procedure by which a local march could be banned if it might lead to "racial disharmony." It is now to be discussed at the next NEC meeting. This is only due on September 29 though the Labour Party assures me that it "will be brought forward if an election is declared."

Magic mountain

Rumours have been flying around at the European Forum in Alpbach, Austria, that Professor Ralf Dahrendorf, 49-year-old director of the London School of Economics, is to be invited to take over the rectorship of one of the Max Planck Institutes in his native Germany.



"It's a present from Denis Healey."

When the rumour hardened into print in a German magazine Professor Dahrendorf denied it with an off hand: "The trouble with 'Der Spiegel' is, he said, 'is that they always get things just half-right'."

He maintains that as a member of the senate of the institute he would know if such an appointment were in the offing. It is not, he says, though he would not rule out a return to mainland Europe.

might go it certainly would not be the U.S. — unless Europe suddenly goes fascist."

Printing money

Any mention of the Japanese is calculated to spread gloom and despondency in British business circles, so it is heartening to learn that we have for once managed to displace them—in Thailand.

"After all we sell sand to the Arabs," says Jeff Moss, 34, who has just been appointed general manager of the newly-formed Thai British Security Printers. From next April its new factory in Bangkok will be servicing four of Thailand's 16 banks with modern magnetic character recognition cheques, and also business forms. In the past the cheques have been imported from Japan.

The company is a joint venture of the Thai banks and BPC Business Forms, which prints about a third of cheques in this country. Moss reckons the other Thai banks are sure to follow suit—they sort cheques by hand at the moment—and he foresees similar projects in the Far and Middle East.

No funeral note

The future of the 60,000 white who have stayed on in post-independence Kenya now partially depends on the benevolence of Kenyatta's successor, but among leading Africans it seems that benevolence is not the mood of the moment.

my colleague that he feared that joining the queues outside State House, Nairobi, would have been considered hypocritical. But others frankly admitted that they were daunted by the prospect.

Pressing on

Guessing how long the New York newspaper strike will last could win you \$1,000 in a competition started by the City News, one of the three impromptu newspapers that have been filling the gap for New Yorkers. Though hopes are rising of progress towards a settlement, City News is hedging its bets, perhaps hoping that the big presses will not be rolling for a while yet. It has also been running a feature called Law for the Layman—and assuring readers that this "will appear every two weeks hereafter."

All in the mind

The GPO tells me that experiments with dog-repelling spray on postmen's trousers have been something of a curate's egg. "The stuff smells nasty," said a spokesman. "In some cases the postmen objected to the smell, and in some cases their wives did." The GPO is now analysing the results of the tests carried out in the south-west, and says its first impression is that the spray has a strong psychological effect. "If you're not afraid of them they don't bite." Experts are still trying to work out how to deal with dogs which attack postmen from inside front doors as they push letters through letterboxes. Presumably it is hard for dogs to tell whether the man at the end of the hand is afraid or not.

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Observer

Handwritten text in Arabic script: "هذا من اجل"

If China has won two friends in the Balkans it has lost its erstwhile bastion on the Adriatic, tiny Albania

China's second front in Europe

BY PAUL LENDVAI

CHAIRMAN HUA KUO-FENG'S focused on the Chinese mission trip to Romania, Yugoslavia, and Iran, coming after a string of diplomatic successes in Asia, has raised the spectre for Moscow of a global strategy of encirclement with hostile forces on both of its flanks. The recent statement issued by the Politburo, the Soviet Union's supreme policymaking body, timed to coincide with the Chinese leaders' concluding round of talks with Marshal Tito of Yugoslavia, said that China was "a serious threat" to peace and that it was involved in expansionist activities. China's emergence as a major new factor in Balkan politics has clearly aroused Soviet concern about a possible adverse shift of the strategic and political balance.

The 18-day-long Chinese visit to the two independent-minded Communist countries has brought a new element of tension to one of the most volatile regions in the world. A Soviet diplomat told me in Belgrade: "Look at Hua. He keeps visiting either our neighbours such as Romania and Iran, or countries of great strategic importance to us, such as North Korea and Yugoslavia. Do not take our warnings too lightly. The Chinese are fueling international tensions. Those who encourage them in Bucharest or Brijuni are playing with fire."

A West German observer went so far as to regard Hua's trip as the single greatest defeat suffered by the Kremlin since the lifting of the Berlin blockade in 1949. The fact that Hua was welcomed by enthusiastic and genuinely friendly Romanians and Yugoslavs and that international attention was

League of Communists, on the basis of Marxist scientific theory... has built up a system of socialist self-management."

The acceptance of a pluralism of ideas and policies coupled with a dialogue based on the full independence and equality of each partner may open a new page not only in interparty relations, but also in the turbulent history of the international Communist movement. Some well-informed Yugoslav sources claim that both Marshal Tito and Mr. Stane Dolanc, the secretary of the Yugoslav Party, in the talks dealt also with Eurocommunism, explaining to their Chinese listeners the implications of the new line of the Italian, French, and Spanish Communist Parties. The many hours of informal and intimate talks therefore may well contribute to a kind of "bridge-building" between some Eurocommunists and the new Chinese leadership.

Both before and after the Chinese visit, Mr. Ceausescu reaffirmed his party's determination to cultivate good relations with all Communist countries. The Romanian leader is an experienced realist, keenly aware of his 1,500 mile long common border with the Soviet Union, Hungary and Bulgaria as well as a virtually indefensible 150 mile coastline on the Black Sea.

Romania's only hope lies in deft manoeuvring and in avoiding provocations that may appear great enough to bring retaliation from its powerful neighbour. The Chinese visit — both welcome and feared — has given the Romanian leadership a good deal to worry about. Chairman Hua fired his open-



A toast the Russians did not like: Tito (left) and Hua clink glasses in Belgrade.

ing salvo on the first evening: "In Asia and Africa, Latin America and Europe, imperialism and hegemonism are spreading out their hands to infiltrate, undermine, and commit aggression and expansion."

The Russians were furious. Tass, the official Soviet news agency bluntly announced that the term "hegemonism" was in fact a code-word for "anti-Soviet slanders."

The Romanians had to tone down the coverage of the visit and concluded the official talks 48 hours after Mr. Hua's arrival, though he stayed on for three more days. Nevertheless the second such highly publicised encounter between President Ceausescu and Hua within three months — they had also met in Peking in May — is bound to

be regarded as a disquieting development by a Soviet strategist. Meanwhile if China has won two friends in the Balkans it has lost its erstwhile bastion on the Adriatic, tiny Albania.

Nothing could better illustrate the baffling changes in alignment than Albania's public break with China which in 1961 replaced the "people's friend" as the main protector of 2.5m "Sons of the Eagles."

Not only ideological considerations but also the ever-present fear of the Yugoslav neighbour has turned the poorest and smallest but strategically important Balkan country against China, which in turn stopped all aid to Albania. As long as Mr. Enver Hoxha, the 70-year-old party leader is alive, no complete reconciliation with Moscow is possible. But

the Albanians have so often surprised their friends and foes, that a limited normalisation of inter-government relations can no longer be excluded. Albania, however, is unlikely to rejoin the Warsaw pact.

On the eve of Hua's visit to the Balkans, Mr. Todor Zhivkov, the Bulgarian leader, and Mr. Leonid Brezhnev issued in the Crimea a joint warning that the peoples of the Balkan countries would not allow their region to become a playground for forces hostile to détente and peace.

These irritations must be seen in the general context of the Soviet perception of the relative increase of Chinese power. Hua's unusually long tour. In the latest statement issued by the Politburo explicitly said that China was trying to "gain a 'second front' in south-east Europe with consequences that are likely to affect Sino-Soviet relations."

issued by BTA, the official Bulgarian news agency, attacked Hua for sowing dissension and mistrust and trying to drive a wedge between the Balkan states and to destroy the atmosphere of good neighbourliness.

The Balkans are full of other complex minority and territorial problems. Disputed Bessarabia puts Romania and the Soviet Union at odds. Transylvania is at issue between Hungary and Romania, Kosovo between Yugoslavia and Albania. At the very least, the repercussions from the Chinese intrusion are likely to put paid to what is left of hopes for regional co-operation in the wider Balkan region.

Yugoslavia is of pivotal strategic importance both to west and east. Moscow's ultimate aim is to bring Yugoslavia in one form or another back into the Soviet sphere. That would provide the Soviets with permanent bases along the Adriatic and with air routes to the Middle East and Africa.

It was Mr. Brezhnev himself who less than two years ago renewed the request for the use of Yugoslav ports and airspace in his talks with President Tito, convincing the Yugoslavs that basic Soviet objectives have remained the same. Soviet officials in their turn are angry and concerned about a potential widening of cooperation between China on the one hand and Romania and Yugoslavia on the other.

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Reports from Belgrade that Hua had told his rival world wide.

A Soviet official complained privately in Belgrade: "Why should we supply the Yugoslavs with heavy weapons if they are willing to strengthen, in whatever form, a potential aggressor?"

What is particularly worrying to Moscow is the growing Chinese rivalry for influence on the non-aligned countries of Africa, Asia and Latin America. Here the Chinese came out publicly in favour of what Hua called "Yugoslavia's struggle to safeguard the unity and to preserve the fundamental orientation of the non-aligned movement." It was not accidental that this statement was particularly stressed in the Yugoslav newspapers. China and Yugoslavia are united in their opposition to Cuban-Soviet activities in Africa.

The high sounding statements about economic co-operation with China are unlikely to yield major or tangible benefits in the foreseeable future. But the Soviet propaganda counter-offensive, already followed by such relatively moderate regimes, as those in Hungary and Poland, indicates the existence of genuine concern in the Kremlin about the intrinsic anti-Soviet implications of the Chinese move.

Hua's unusually long tour. In the latest statement issued by the Politburo explicitly said that China was trying to "gain a 'second front' in south-east Europe with consequences that are likely to affect Sino-Soviet relations."

Letters to the Editor

Price of aluminium

From the Chairman, Garfield Lewis Ltd.

Sir,—I cannot allow the article on metals (August 25) to pass without some comment on what you say about the aluminium futures market. No matter through what intermediate stages the metal might pass it is used only in the form of semi-forgings and castings by the final consumer who has over the past two years seen such unstable pricing conditions that I believe it to be no exaggeration to say that aluminium has fluctuated more than copper.

Were your graph to record the movement of the effective, as opposed to the official, aluminium sheet price which is the largest single item in which aluminium is used, the picture would show a very different picture. Surely the main function of a futures market is to hedge London and other; London are against fluctuations—it removes the speculation for the consumers and stockholders and it could alleviate the worst excesses of fluctuating prices for the producers if they were to abandon their opposition and co-operate with the LME. The fact that certain speculators will be attracted is surely irrelevant since the successful ones will tend to stabilise prices whereas the unsuccessful ones will not be able to be a long-term influence.

In any case the really large tonnages will be dealt in only by those with physical positions or, to defend, such as my own company. I appreciate that virgin metal can never be a perfect hedge against fluctuations in semi, but it can remove a certain amount of the risk and with the willing co-operation of the producers could do so to an even greater extent.

I And that we can stock copper with comparative impunity, precisely because we can hedge the risks. It is on aluminium that we are suffering the greatest fluctuations. This has caused us to shorten our order book to such an extent that we are living on a month to month basis instead of committing our selves a year ahead as we were wont to do some time ago. With other stockholders and consumers doing the same no wonder the producers are submitting such erratic results. I wonder how many of them have sat down with their customers and consulted them before deciding to oppose the quotation?

L. A. Garfield, PO Box 21, Banbury, Oxon.

Unpopularity of Gatwick

From Mr. F. E. Ripley

Sir,—Your letter "Gatwick is less frustrating" (August 29), surely highlights completely the common-sense and reasoning to support the move to Gatwick of the scheduled airline services to South Africa and Portugal by British Airways, Iberia and TAP from Heathrow. Unfortunately for the passengers who happen to reside to the north, west, and even in South Wales, Devon and Cornwall and use these scheduled services because there are no others available to them, this view is endorsed by the authorities concerned who have offered no alternative service except an added journey of many hours to London which will cost at least 10 per cent, and possibly 20 per cent, of the present fares. The formation from making the trip to the sun

at all. This is what Iberia mean when they say they will lose business, and I have not found the Spanish very illogical in their economics.

It takes, for instance, at least four hours to get to Gatwick from Bristol by road and sometimes five, as against 1½ hours to Heathrow both using the M4 and at least the same time by rail (four hours). I would suggest that if there is any doubt, that Mr. Scott samples the journey back from Gatwick (arriving usually about 9.00 pm) to Bristol either by road or rail, with a couple of children to improve things.

He would then realise how disastrous and unfair this move will be to thousands of people situated in the above mentioned areas as I would confidently say that there is no airport in the country so inaccessible to 70 to 75 per cent of the population as Gatwick. It is a dream travel point for people in S. E. England but a nightmare journey for the rest of us—north, south, and west.

The overcrowding of Heathrow only highlights the necessity for a new airport well west of London which obviously solve the problem and is commonsense to everyone who allows themselves to think about it. London since the successful ones will tend to stabilise prices whereas the unsuccessful ones will not be able to be a long-term influence.

F. E. Ripley, Coss Mts, Bromble Lane, Stoke Bishop, Bristol.

Safety of canned food

From The Director, The British Food Manufacturing Industries Research Association.

Sir,—Some years ago the Association recognised the challenge of the rapid demonstration of food quality posed by Mr. Entwistle (August 29). Most conventional microbiological tests require several days before an answer can be obtained, but now, as a result of a large scientific input, we have answers in a matter of four hours, a time which we hope to be able to reduce to an hour or less. Unfortunately these techniques will not deal with the problem of botulinum toxin in a single can of salmon which caused the Birmingham tragedy, for two reasons:

(1) We require to detect the toxin (which is deadly) and not the organism (which itself is not harmful). Although we can identify nanogram (10⁻⁹) quantities of many materials present in food, botulinum toxin is present in even smaller amounts and at present defies instrumental techniques.

(2) The absolute assurance that every single can is safe poses an enormous statistical problem and requires that every can be tested so that there would be no food available for sale.

The safety of food depends above all else on the high standards of the food industry operating against a scientific and technical knowledge and control techniques needed to ensure that food is processed sufficiently to ensure a less than 1 in 10¹² probability of Cl. botulinum spores surviving and, therefore, less than one can in a million present.

potential risk. We have not yet found that can since the Birmingham incident arose from a damaged can.

Most food poisoning problems which do arise are created not by the food manufacturer, but by the home or in catering establishments. Problems which can be solved by the application of an elementary knowledge of food hygiene. This would provide much greater benefit than the development of the sophisticated instrument suggested by Mr. Entwistle.

A. W. Holmes, Romdell Road, Leatherhead, Surrey.

Profit motive

From Mr. A. I. Ferguson

Sir,—Years of socialism by governments of both hues have severely dented the profit motive and diluted individual interest in enterprise.

The profit motive ought to be a help in providing individual incentive as a means of earning more for extra hard work. Everything these days conditions one towards the rate for the job regardless of ability and even top people have a tragically small net differential for all the added burdens and responsibilities that come their way.

Europe and America were built on enterprise and profit and have only lost their economic way when these very basic principles have been forsaken. Today it scarcely seems to matter whether you are a worker or a manager, whether you are in work or out of work, the consequences and differences are not all that great. In no period of human history have policies of social expediency brought economic success or happiness and they certainly won't do so today.

A. I. Ferguson, 4 Burns Court, Marine Parade, Dawlish.

Allied takeover

From Mr. G. S. D. Wolf

Sir,—Mr. Robert Aries' letter (August 30) surprised me. My impression from the media has been that the objection to Allied's takeover of Lyons lies primarily with an inability of Allied to profit from the merger. If Allied have not management expertise to put into Lyons what is the point of taking them over? Were I a shareholder in Allied I should wish to be assured that Allied have the capacity to make use of such an acquisition.

G. S. D. Wolf, 12 Conway Close, Slonmore, Middle.

Employment policy

From Sir Keith Joseph, M.P.

Sir,—I write to draw your attention to your differential treatment of my Bow Group speech on "Conditions for Fuller Employment" and Michael Foot's stereotyped reaction (August 25 and August 26 respectively). A report on what you called my "major economic policy speech" was tucked low down on the back page. By contrast, Michael Foot's reaction was highlighted in a box on the front page, though I had replied in advance in my speech to anticipated remarks of the sort he made.

I had noted that Mr. Foot and his colleagues, including Sir Harold Wilson, made very much the same accusations — a vast

increase in unemployment if my ideas were followed — when I first argued at Preston against their uncritical acceptance of pseudo-Keynesian inflationary deficit financing as a means of maintaining full employment.

Sir Harold Wilson and Mr. Callaghan subsequently recanted. "Inflation is the father and mother of unemployment," said Sir Harold. Partly because of their change of heart and partly at IMF insistence, the government in which Mr. Foot is a leading member implemented the monetarist elements — but only the monetarist elements — of the prescription contained in my Preston speech, which was so savagely denounced when it was made.

Because they ignored the other elements, emphasised again by me in "Monetarism is Not Enough" — lower Government spending, lower personal taxation, less legislation and controls, including make-work subsidies, higher unemployment levels are far higher than any we experienced or which Mr. Foot and his colleagues ever contemplated.

They have carried out the policies which they assured the country would solve unemployment and, yet, look at the unemployment results. Indeed, when one considers the passion with which Mr. Foot, as a back-bencher, attacked the 1966-70 Wilson Government for unemployment levels of only a fraction of today's, one can only wonder why Mr. Foot is given such an easy ride.

That is not all. The substance of my argument has been that excessive Government spending, including make-work subsidies, manager, attacking the 1966-70 Wilson Government for unemployment levels of only a fraction of today's, one can only wonder why Mr. Foot is given such an easy ride.

I have published the full text of my speech so that readers can follow my argument in detail. They will then be able to compare them with Mr. Foot's stale rhetoric. I repeat the charge made in my speech that Mr. Foot and his colleagues are intellectually bankrupt on employment policy.

Keith Joseph, House of Commons, Westminster, London SW1.

Concorde losses

From Mr. B. A. Cole

Sir,—Mary Little (August 29) is unfair to British Airways in suggesting that they have indulged in a "cover-up" by showing operating losses on Concorde before charging interest on its capital cost. It is unfortunately still all too common in industry to confuse the source and the application of funds, but good modern practice distinguishes them sharply.

As with any industrial corporation, British Airways should earn a return on the assets it employs. That return should cover the interest cost of borrowed capital and provide a reasonable reward for providers of equity. The return is therefore correctly calculated without deducting interest costs.

To do otherwise is to assume that equity capital is free — a very dangerous assumption! B. A. Cole, Drake Wood, Deronshire Avenue, Amersham.

Today's Events

GENERAL

Mrs. Margaret Thatcher, Conservative Party Leader, tours Roxburgh, Selkirk and Peebles, seat of Mr. David Steel, Leader of the Liberal Party.

Cutlery industry delegation expected to meet Mr. Roy Hattersley, Prices Secretary, to seek Government action for all cutlery in this country to have mark of origin to overcome import threat.

British Airways receives delivery in Britain of Boeing 747 Jumbo jet, its first aircraft leased under new programme launched by the Japan Leasing Corporation.

Marks and Spencer new credit scheme for customers comes into operation at six stores in the south east through Citibank Trust.

Conservative Party launches cinema advertising campaign.

President Carter may continue discussions on natural gas Bill with group of Governors and Government action for all cutlery in this country to have mark of origin to overcome import threat.

Peruvian military Government ultimatum to metal miners to end delivery in Britain of Boeing 747 Jumbo jet, its first aircraft leased under new programme launched by the Japan Leasing Corporation.

16 tea producing and exporting countries, Colombo.

OFFICIAL STATISTICS Central Statistical Office publication of United Kingdom Balance of Payments 1967-77 (Pink Book).

COMPANY RESULTS Final dividends: Amalgamated Tin Mines of Nigeria (Holdings), Leigh Mills Parker Timber Group. Interim dividends: L. and J. Hyman, George Spencer.

COMPANY MEETINGS Pilkington Brothers, Prescott Road, St. Helens, 2.30. Plessey Company, Millbank Tower, Millbank, S.W.1, 12.

SPORT

Golf: British seniors' championship (amateur), Formby. Swimming: National diving championships, Crystal Palace. Equestrian: Burghley horse trials. Basketball: Commonwealth championships, Coventry. Racing: Sandown, Thirsk and Yarmouth.

CITY ENTERTAINMENT Omphalos Street Theatre Company gives lunchtime performance in open-air courtyard of W. H. Smith building, 10, New Fetter Lane, E.C.4 (1 pm-1.30 pm).

Organ recital by Robert Crowley, St. Paul's Cathedral, 12.20 pm.



Ready-built factories and warehouses are available smack in the middle of Britain's motorway system.

Walton Summit, near Preston in Central Lancashire New Town, is one of the best placed industrial sites in Britain.

It has immediate connection to Interchange 29 on the M6 and is only four miles from the M61. This gives a company based at Walton Summit fast motorway access to every important industrial region in the country.



Less than an hour away are major ports and an international airport and within minutes a busy manager can be on the electrified Inter-City to London or Glasgow.

The workforce is highly skilled, with a very good labour relations record. As for young management, in addition to Preston Polytechnic, there are four universities an hour or less away.

Ready-built units are available in a range of sizes from 3,000 to 30,000 square feet, at competitive rentals. And fully-serviced plots are ready now. All in an attractively landscaped setting.

Intermediate Area Grants are available for qualifying companies.

For details and brochures on this prime development, send the coupon to W. McNab, ARUCS, Continental Director Central Lancashire Development Corporation, Caudron Hall, Bamford Bridge, Preston PR5 6AX, Tel: Preston (0773) 26211.

Name _____
Company _____
Position _____
Address _____

Central Lancashire
The foundation for your future.

COMPANY NEWS+COMMENT

Mills & Allen expands 89% to near £5m

Profits for the year ended June 30, 1978, of Mills & Allen Inter-Continental rose 89 per cent to £4.96m and the directors are recommending a dividend of 5p per 50p share against a forecast 2p.

The forecast was made at the time of the reorganisation last December of the former J. H. Vasey group. The directors now intend to make two dividend payments, an interim and a final for each year and are forecasting an interim of 2.5p for 1978-79.

The directors point out that since dividends have not previously been paid, the group is not subject to dividend restraint for the current year.

Comparative figures for 1976-77 have been restated to reflect the acquisition of the outstanding ordinary shares in the Mills and Allen Group.

The pre-tax profits are attributable to a 33 per cent increase in trading profit and a marked reduction in interest charges, from £1.58m to £21,000, resulting from the repayment of borrowings.

Attributable profits are up 81 per cent from £1.69m to £3.23m.

Earnings per share are shown at 37.3p against 23.9p and 35.5p (19.7p) after extraordinary items.

The directors are confident that the profit for the full year will be substantially higher than the previous year's £7m.

Exports at the half-year were higher at £8.56m (£8.34m), while group sales and profits were split respectively as to: UK, £28.08m (£23.16m) and £2.13m (£2.13m) and overseas £22.13m (£20.08m) and £1.56m (£0.98m).

Automotive activities accounted for 73 per cent of turnover and 81 per cent of profits.

Attributable profits advanced from £2.06m to £2.34m, after tax of £1.53m (£1.06m) and minorities. Earnings per 25p share are 5.13p (4.55p).

The interim dividend is stepped up from 0.75p to 0.87p per share, absorbing £400,000 (£240,000)—a third interim of 0.022p is also payable in the second half, making last year's total 2.407p.

At June 30, 1978, fixed assets stood at £29.67m (£27.05m) at December 31, 1977, and net current assets were ahead from £15.14m to £17.17m.

comment

BBA's profits rise of nearly one-fifth is entirely due to a 39 per cent increase in the overseas contribution. This largely reflects the recovery of the West German subsidiary Textar, which has recaptured a major motor com-

pany customer. In that client's absence other outlets were pushed overseas margins up by one and a half points. But BBA is still not firing on all cylinders. The U.S. company Scindura has again suffered from coal disputes and showed only a modest increase in profits. It is the UK performance, however, which appears the most disappointing, although sales are 40 per cent ahead, profits have only marked time. The company blames extra costs incurred in meeting delivery dates to the Coal and Gas Corporation, as well as expenses involved in getting supplies moving in advance of a new plant opening. Both these problems have hit margins but should largely disappear in the second half. The company looks to year for profits of £2m which puts the shares at 61p on a prospective p/e of 3.5 (last year's tax charge) and a yield of 6.6 per cent.

AS FORECAST in April, pre-tax profits of £4.96m for 1978, have exceeded £5m; the figure turning in at £5.16m compared with £3.81m for the previous 33 weeks. Earnings per 25p share are

HIGHLIGHTS

LADBROKES interim profits are nearly £3m higher with little growth from casinos and for the full year profits of £31m are forecast. Matthews Wrightson has turned in half time profits 40 per cent higher but the uncertainty caused by the renegotiation of the Norwegian shipping charter has not been removed in the interim statement. Shareholders in John Laing will this morning receive a document outlining the capital reorganisation and Lex takes a look at the figures involved. Meanwhile on the issue front both Initial Services (£7.58m) and Dorada (£0.55m) are raising finance by way of rights. Interim growth at BBA reflects recovery overseas particularly in Germany while for the same period Mixconcrete has performed better than expected. Property sales have boosted Mills and Allen but Linfood continues to feel the effects of the price war.

reorganisation costs amounting to £253,000; realised profits on the disposal of fixed assets amounting to £110,000 and reduction in provisions for unrealised losses relating to the banking subsidiary, trading and investment properties, and assets comprising of buildings and investments of £211,000 (£298,000 increase).

As part of the reorganisation the majority of the group's banking arrangements were revised from an on demand to a term loan basis. The balance sheet has been further strengthened during the period with net indebtedness reduced from £9.4m at June, 1977 to £4.9m at June 30, 1978.

During the period property sales totalling £2m were completed and the remaining properties to be sold have a total value based on current market prices of some £0.9m.

With effect from July 1, 1977 advertising structures are now

given at 34.5p (28p) and, as previously, at the time of the merger of the company with Wheatheaf Distribution and Trading, the dividend total is effectively lifted from 8.45p to 9.38p with a second interim payment of 6.38p.

comment

Linfood's 11 per cent sales rise for the year probably includes a volume gain of a few points but the food price war has continued to squeeze margins and profits are just over a tenth lower. This was very much in line with the market expectations, however, and the shares closed 2p lower at 138p. The retail side (more than 40 per cent of group sales) has held up reasonably well compared with others in the food sector. This is because Spar, Gateway and Dec's neighbourhood locations are not under the same pressure as the High Street supermarket chains. But it is Linfood's wholesale activities which are being strained most. Here, prices have been held down in order to retain market share and allow Linfood's major customers, the independent retailers to compete. Overall, trading conditions will continue to be difficult as long as the price war lasts but the company is hopeful that margins have reached their low point. Wheatheaf could lift the group's sales to £500m this year, so its performance will be crucial. The shares sell on a p/e of 6.2 while the yield is a solid 6.2 per cent.

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comment

cent to £2.6m. The other big contributor, foreign exchange dealings, also did well with UK profits 25 per cent higher although there was a small setback for the New York and Singapore operations. In the current year interest charges will be further reduced as a result of more property sales. Increased consumer expenditure will further boost outdoor advertising while foreign exchange dealings will continue to benefit from movements in currency values. At 175p, the shares (fully taxed) are on a p/e of 6.2 before extraordinary items, or 4.6 on the actual tax basis. The raising is overshadowed by the pending Monopolies Commission's investigation into outdoor advertising.

Scottish Agricultural off £0.9m

WITH TURNOVER up from £34.1m to £35.6m profit of Scottish Agricultural Industries, which is 62.4 per cent owned by ICI, fell from £3m to £1.1m in the first half of 1978. The result is subject to tax of £0.6m against £1m.

Directors say adverse market conditions which had affected the horticultural business in the second half of 1977 persisted and fertiliser sales volume was lower, mainly in exports. It is believed that some of this shortfall will be offset in the second half.

The interim dividend is held at 5p net per £1 share. Last year a 7p final was paid on total pre-tax profits of £5.03m.

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Sir Maurice Laing, present chairman of John Laing and Sons, who will head the company running the construction homes and construction materials businesses under the proposed reconstruction scheme for the group. Details, page 24.

DIVIDENDS ANNOUNCED

Company	Current payment	Date	Corresponding div.	Total for year	Total last year
BBA Group	0.88	Jan. 8	0.8	—	£2.41
Bowstead	0.7	Oct. 13	0.7	—	1.3
Bridgewater Ests.	4.5	Oct. 13	0.7	—	1.3
Chubb & Co.	2.07	Oct. 15	1.83	2.98	3.72
Crouch Group	0.81	Oct. 15	0.1	—	0.1
KCA Int'l.	0.38	Oct. 31	—	—	£7.06
Ladbroke	0.7	Sept. 29	—	—	—
Lawrie Plana. (Spec.)	1.5	Oct. 9	4.5	9.39	8.5
Chubb & Co.	6.39	Oct. 31	2.33	—	6.55
Lonrho	2.4	Oct. 31	2.22	—	2.19
Matthews Wrightson	3.6	Nov. 10	—	—	2.11
Mills & Allen	5.43	Oct. 23	1.28	—	3.19
Mixconcrete	1.1	Nov. 5	—	—	1.2
Scottish Agricultural	1.1	Oct. 12	1.7	1.67	1.67
Small & Tidman	1.1	Oct. 17	1.02	—	1.67
Sobranie (Holdings)	0.81	Nov. 15	0.79	1.33	1.31
Stoddard	—	—	—	—	—

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issues. † On capital increased by rights and/or acquisition. ‡ Includes additional 0.0806p. § Forecast in July, 1978 prospectus. ¶ Includes 0.0242p third interim. §§ Corrected.

Mixconcrete recovery at midway—peak year seen

THE ANTICIPATED improvement in results of Mixconcrete (Holdings) for the half year ended May 31, 1978, emerges as a rise of £476,000 to £326,000 pre-tax profits for the year could reach record levels, the directors say. Profits in 1977-78 were £12m and turnover, £26.59m.

The interim dividend is raised from 1.278p to 1.428p—last year's total was 3.144p.

Tax charge the half year is £256,000 (£78,000) leaving net profits at £300,000 against £72,000.

The directors say the better authority contracts. The share price jumped 4p to 75p on the news and, assuming the record result is achieved, the p/e is 7.7, and the yield (given a 10 per cent increase) is 7.2 per cent. This suggests that the stock is an attractive buying proposition but the letting of contracts by regional water authorities, which so badly

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ISSUE NEWS AND COMMENT

Initial's rights to raise over £7m

To raise £7.55m, Initial Services proposes a one-for-four rights issue of ordinary 25p shares at 74p each. In the market Initial's shares slipped back 1p to 89p.

British Electric Traction, which holds 33.28 per cent of Initial's equity will be taking up its rights entitlement in full, at a cost of over £3.1m. The balance of the issue amounting to 6.56m shares has been underwritten by stockbrokers Fielding Newson-Smith.

Proceeds will be used to reduce the company's debt, provide extra working capital and enable it to take advantage of opportunities for development.

The company underlines the fact that it has not raised cash from its shareholders for 22 years, but it has made substantial developments in the range and territorial spread of its activities.

Dividends for the year ended March 31, 1978, totalled 4.5748p per share, equivalent to 6.86612p gross. Consistent has been received from the Treasury to increase the dividend to 7.55p gross this year.

The directors intend to pay not less than this amount and in order to reduce disparity the interim will be increased to 1.5p net.

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Marshall's Halifax Limited

Financial Results for the year ending 31st March, 1978

Another Record Year

Profits before Tax £2,164,000 up 20%
Exports £4,253,000 up 29%
Earnings per Share 34.28p up 45%
Compound Growth Rate over past 5 years 16%

A comment from Mr. David R. Marshall, Chairman. "We are cautiously optimistic, although a firm forecast would be foolhardy. I do not expect Shareholders to be disappointed with the results for the current year."

Copies of the Report and Accounts are available on request from Mr. G. B. Taylor, Company Secretary, Marshall's Halifax Limited, Hall Ings, Southowram, Halifax HX3 9TW.

CH Industrials Limited

Copies of the Report and Accounts and product brochures from The Company Secretary at 26 West Street, Dunstable, Bedfordshire LU6 1SX.

During the year to March 1978, we manufactured:

- soft tops and sunshine roofs for sports cars,
- decorative trim for consumer products,
- paints and cement additives,
- synthetic foam for soft furnishings and
- managed industrial property.

We made record operating profits of £908,000—up 46% and we were able to increase net dividends per share by 74%.

Our net tangible assets, at the year-end, were almost £5½ million.

This year, we look for even further progress.

Tim Hearley Chairman

CH Industrials Limited

Copies of the Report and Accounts and product brochures from The Company Secretary at 26 West Street, Dunstable, Bedfordshire LU6 1SX.

During the year to March 1978, we manufactured:

Matthews Wrightson up 41% to £4.8m so far

KCA surges to £1.41m midway

Ladbroke well ahead at halfway—still sees £31m

WITH ITS trading profit up from £2.84m to £3.59m and interest and investment income some £0.51m higher at £1.55m, taxable profit of Matthews Wrightson Holdings advanced 41 per cent to £4.77m in the June 30, 1978, half year.

Turnover rose from £30m to £33.1m and the profit is also after interest charges of £0.5m (£0.61m) and associated profits of £31,000 compared with losses of £195,000 previously.

Mr. Gordon Henry, the chairman, says worldwide insurance profits of Stewart Wrightson showed a significant improvement in the half year, with income advancing strongly both in the UK and overseas, although less favourable exchange rates led to lower growth in sterling terms.

Operating expenses were contained well in the UK but some overseas operations were affected by higher costs associated with new developments. The renewed strife in Lebanon affected results there and is leading to operating difficulties, he says.

The profit of the Lloyd's underwriting arm increased substantially, in line with results from the 1975 account.

Galbraith Wrightson's ship-broking results continue to be affected by the depressed shipping markets, and although brokerage income held up, profit was lower.

As indicated at the AGM, talks with Norwegian shipowners regarding the chartering of them by Galbraith are progressing. All sub-charter payments due from the owners continue to be received and full provision is made in the results for all losses accruing to Galbraith under the existing arrangements.

The group's air broking company continues to progress satisfactorily and while Fountain Forestry had a good year, results at Fountain Farming were less satisfactory owing partly to lower than expected prices. However, results are no longer encumbered by terminal losses on discontinued operations.

The weakness of the dollar in the period adversely affected the sterling value of its substantial dollar revenues. But Mr. Henry

Stoddard arrests decline

WITH MOST of the reduction coming in the first half, when a decline from £24,000 to £10,000 was reported, pre-tax profits of Stoddard Holdings rebounded in the second half to £24,000.

After tax of £2,500 (£1,500), minority interests of £0.5m (£0.51m) and extraordinary profits of £150,000 (£163,000) attributable profit came out at £22,500 compared with £11,500 last time.

The interim dividend is raised from 0.75p to 1.00p per share. Rakusen's share price last Friday closed at £0.50.

With turnover ahead from £3.1m to £3.48m taxable profit of Thomas Robinson and Son advanced from £253,984 to £291,014 in the June 30, 1978 half year.

The result is subject to tax of £200,000 (£190,000) and does not include any contribution from the South African associated company. The interim dividend is lifted from 0.75p to 1.00p per share to 0.845p, including a 0.0401p additional payment for last year following the tax change. Last time a 2.6446p final was paid on a record profit of £0.88m.

Halftime rise at Thomas Robinson

With turnover ahead from £3.1m to £3.48m taxable profit of Thomas Robinson and Son advanced from £253,984 to £291,014 in the June 30, 1978 half year.

The result is subject to tax of £200,000 (£190,000) and does not include any contribution from the South African associated company. The interim dividend is lifted from 0.75p to 1.00p per share to 0.845p, including a 0.0401p additional payment for last year following the tax change. Last time a 2.6446p final was paid on a record profit of £0.88m.

BOARD MOVES AT RAKUSEN

The likelihood of board changes was behind the suspension of Rakusen's share price last Friday when the group was revealed.

The food manufacturing, distribution and property development concern said yesterday that

SANGERS

Sangers Optics, a wholly owned subsidiary of Sangers Group, has acquired a retail optical business in Lancashire for £357,500, satisfied by the issue of 111,801 ordinary shares with the balance in cash.

The acquisition is in furtherance of the group's planned expansion into retail optics.

Assd. Tooling sells more assets

Mr. A. G. Pratt, the chairman of Associated Tooling Industries, says in his annual statement that the already announced sale of the Tring property resulted in net profit of about £70,000 which will be included in the interim figures.

All subsidiary companies trade at a profit although certain areas of the company's industry are still slow in recovering from the recession. Overall the Board views the future more optimistically than when last reporting.

Since the end of financial year 1977, the group has disposed of further assets which were not providing a satisfactory return. It now has substantial cash resources and a materially improved liquid position.

The Board is considering all available alternatives to utilise this cash surplus including acquisitions and the feasibility of making a substantial cash payment to members by way of capital reduction, he says.

As previously reported pre-tax profit in the February 28, 1978, year rose from £72,665 to £109,356.

Development cost trim Grovebell

Continued development costs at Grovebell Group cut taxable profit in the May 31, 1978, half year from £24,000 to £12,000.

The dividend is maintained at 0.5p per share and will absorb £7,500.

Mr. V. J. Advani, the chairman, says that the company's trading in June as an

exceptional increase in profit of 60 per cent was achieved.

The main reasons for the reduced profits are that in the period leather prices were relatively stable, resulting in considerably less stock appreciation than last year.

Mr. Church now says results reflect a more normal trading pattern than that which existed in the early months of 1977 when an exceptional increase in profit of 60 per cent was achieved.

The Board is considering all available alternatives to utilise this cash surplus including acquisitions and the feasibility of making a substantial cash payment to members by way of capital reduction, he says.

As previously reported pre-tax profit in the February 28, 1978, year rose from £72,665 to £109,356.

Since the end of financial year 1977, the group has disposed of further assets which were not providing a satisfactory return. It now has substantial cash resources and a materially improved liquid position.

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Church down at halfway

ALTHOUGH INCLUDING contributions from two newly acquired subsidiaries for part of the period, pre-tax profit of Church and Co. dropped from £338,905 to £287,089 in the first half of 1978.

Profits of R. P. Allen have been included since February 8 and of Elms from April 1. In March, Mr. B. Church, the chairman, said that the acquisitions would add materially to profits.

Sales in the period rose from £2.8m to £3.1m and after a tax charge down from £455,094 to £333,536 and minorities, attributable profit came out slightly down from £302,219 to £291,460.

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The main reasons for the reduced profits are that in the period leather prices were relatively stable, resulting in considerably less stock appreciation than last year.

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For the half year to July 4, 1978, profits before tax of the Ladbroke Group increased from £10,930m to £13.8m on higher turnover of £221.37m against £170.82m, and Mr. Cyril Stein, the chairman, repeats his July profit forecast of £31m for the year compared with £24.3m in 1977.

It is reasonable to expect the year's profit figure, taking into account higher turnover associated with the second half, says the chairman.

Tax in the half year is £5.35m against £4.15m giving earnings per 10p share of 16.1p compared with 14.7p. The interim dividend is stepped up from 3p to 3.5p and following the tax change, last year's final of 4p is increased by 0.060p.

The directors would also wish to increase substantially this year's final but this will depend on external factors, says the chairman.

Best half available profit is £3.59m (£4.44m) after crediting minorities, £21,000, against £14,000 and deducting pre-acquisition profits of £41,000.

Trading across divisions is generally buoyant although the increase more than marginally in contribution to group profits above last year's figures, says the chairman.

This is in line with expectations following the extraordinary increases in the previous year.

Mr. Stein notes that almost all the profits earned by the London casinos are from overseas clients and that foreign currency earnings directly and indirectly by the various casinos in the capital provide an important contribution to the nation's invisible exports.

Through the development of those current operations with good potential growth and the expansion into additional areas of the leisure and service industries the ratio of profits earned by the divisions will again vary.

The emphasis is being placed on the purchase of additional hotel and motor inn units and investment in property developments, mainly industrial and residential.

As an example of the progress that has been achieved business plans indicate that some £25m should be earned excluding the profits of the casino division in 1978.

Mr. Stein says much has been said and written on the report of the Royal Commission on Gambling.

Singling out its recommendation for a swingeing increase in the amount of casino duty currently payable he says, it is sufficient to comment that these proposals are impractical, unrealistic and incapable of implementation without badly damaging the fabric of the industry.

Mr. Stein said later three deals together involving a total of some £4.5m are likely to be announced over the next month as part of the expansion of the group's hotel and motor inns interests.

In separate moves the group has already agreed terms to buy a further hotel and two motor inns in London, the south-east and Yorkshire.

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BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends are usually declared in the half or the full year. Figures shown below are based mainly on last year's timetable.

TODAY
Interim—Anglo American Industrial Corp., Deesetter Bros., George Spencer, Fildes, Hargreaves, Tins Mines of Nigeria, Leigh Mills, Parter Timber.

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FUTURE DATES
Interim—Anglo American Industrial Corp

INTERNATIONAL FINANCIAL AND COMPANY NEWS

NORTH AMERICAN NEWS

Reorganisation at Eaton following takeover spree

BY JOHN WYLES

NEW YORK, August 31.

EATON CORPORATION has announced a major management and structural reorganisation following its acquisition of more than \$300m of new businesses this year.

The diversification exercise will significantly reduce Eaton's dependence on sales to the automotive market and should therefore make it less vulnerable to the market's cyclical peaks and troughs. Since the start of the year, the Cleveland, Ohio company has taken over Kenway, a Utah producer of automated storage and retrieval systems; Samuel Moore, a manufacturer of industrial tubing and hose; and most recently has spent \$227m acquiring a 62 per cent stake in Cutler-Hammer, a manufacturer of electronic controls.

Mr. E. M. De Windt, chairman and chief executive officer, said

yesterday that the three new companies will have combined sales this year of about \$750m. As a result the company was being reorganised to reflect the increasing significance of the industrial and capital goods markets to Eaton.

Steadily the new structure, which comes into effect tomorrow, consolidates all operations into two areas, transportation products and industrial products. Each will be headed by newly-created vice-chairmen of the Board. Mr. James Stover, currently executive vice-president operations, will oversee the transportation products group, and Mr. Edmund Fitzgerald, currently chairman and chief executive of Cutler-Hammer, will head the industrial products group.

Three operating groups will report to Mr. Stover—materials

handling, truck components and automotive components; and two to Mr. Fitzgerald—the general products group and the Cutler-Hammer group. Each major operating group will be headed by a president.

The new acquisitions will broaden Eaton's activities at home and abroad since Cutler-Hammer in particular has 33 U.S. plants and 18 in 13 other countries including the UK and Latin America. Vehicle products sales, which last year accounted for about 50 per cent of Eaton's total sales, may well fall to between 45 and 50 per cent this year as a result of the diversification.

Mr. De Windt also announced that he would be taking over the office of President following the retirement tomorrow of Mr. Paul Miller.

Servomation accepts offer from GDV

By David Lascelles

NEW YORK, August 31. LIGGETT GROUP, the tobacco concern, appeared today to have lost the battle for Servomation, the vending and catering company it has been bidding for in the past two weeks.

Servomation announced today that it had accepted a competing offer from GDV, a home-building subsidiary of City Investing, the California-based diversified concern. The offer is \$49 per share, just capping Liggett's \$48.50, with the option for shareholders wanting to avoid tax to swap their shares for 9 per cent five year notes of GDV.

In accepting the offer, Servomation agreed to end all litigation against GDV, and said it would break off negotiations with Liggett group.

GDV's offer offers puts the total value of the deal at about \$190m. The company said today that it expected the merger to result in a near doubling of its sales to \$1bn. These have already risen from some \$100m last year as a result of acquisitions of other homebuilding concerns from other City Investing units.

Heavy buying of Abitibi Paper

By Robert Gibbens

MONTREAL, August 31. A MYSTERY buyer has acquired about 600,000 shares of Abitibi Paper, with 58 per cent-owned Price Company, the world's largest newsprint producer. Major blocks of Abitibi stocks have been sold through the Vancouver and Toronto stock exchanges in the past two days, including one of over 500,000 shares at \$317.

Abitibi said in Toronto it does not know who has been buying its stock. "All we know is that an undisclosed purchaser was seeking 600,000 shares for investment purposes and it got them," said an earlier Thomson Reuters, a member firm of the Toronto Stock Exchange, said an undisclosed client was seeking up to 600,000 Abitibi shares at \$317 a share for investment purposes and would not acquire more than 10 per cent of Abitibi's stock.

The 600,000 shares would represent between 3 and 4 per cent of outstanding stock. Abitibi shares are widely held and it is believed there is no single holder of more than 5 per cent of outstanding stock. There have been vague takeover rumours about Abitibi all this summer and the shares have traded actively on a rising market. The company's newspaper business has been doing well and earlier this week Abitibi estimated earnings of between \$3.20 and \$3.40 a share for the whole of 1978 against \$3.13 in 1977.

More likely from CanPac

By Our Own Correspondent

MONTREAL, August 31. A \$350m capital gain made on the decline of its 13.4 per cent holding in TransCanada Pipelines to Dominion Petroleum could lead to the Canadian Pacific group increasing its dividend payments, possibly beginning with the December distribution when Government control will be cancelled. Mr. Ian Sinclair, CanPac's chairman, stating this, added that he expects both Canadian Pacific and Canadian Pacific Investments (the non-rail investment holding side of the business) to post peak earnings for all 1978.

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

	Mid	Offer		Mid	Offer
Michigan 5 1/2% 1985	92 1/2	93 1/2	Rowntree 10 1/2% 1986	92 1/2	93 1/2
Midland Ind. Fin. 5 1/2% 92	97 1/2	98 1/2	Scars 10 1/2% 1985	91 1/2	92 1/2
National Sec. 5 1/2% 1985	94 1/2	95 1/2	Scars 11 1/2% 1985	93 1/2	94 1/2
National Westminster 5 1/2% 96	100 1/2	101 1/2		95 1/2	96 1/2
Nat. Westminster 5 1/2% '96 '97	101 1/2	102 1/2			
Norfolk 5 1/2% 1985	92 1/2	93 1/2	IBM bonds		
Nordic Inv. Bank 5 1/2% 1984	91 1/2	92 1/2	ASDA Dev. Bank 5 1/2% 1985	93 1/2	94 1/2
Norfolk 5 1/2% 1985	91 1/2	92 1/2	Ensh 4 1/2% 1985	92 1/2	93 1/2
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FINANCIAL AND COMPANY NEWS

Sharp increase in Volvo first half profits

BY JOHN WALKER

STOCKHOLM, August 31.

AN INCREASE of more than a per cent to from the 70 per cent of the opening six months of 1978 and an even sharper rise in profits are announced by Volvo, the Swedish car maker which is currently negotiating the sale of 40 per cent of itself to the Norwegian Government.

After financial incomes and outgoing, group profits are 41 per cent ahead at SKr 395m following a gain of 28 per cent in the opening three months of the year. The company reckons it has a "good chance" of emerging from 1978 as a whole with profits higher than last year's SKr 465m.

Sales for the six months ended at SKr 3.1bn (\$270m) which amounts to an increase of 21 per cent. Outside Sweden, sales rose by 34 per cent to SKr 770m lifting the group proportion of foreign sales to 77 per cent from the 70 per cent of the opening six months of 1977.

By contrast demand within Sweden shrank with the company's home turnover dipping by 9 per cent to SKr 2bn.

Total sales of cars amounted to 135,000 units during the first half of 1978. In Sweden car sales dropped in the first half of this year by 10,000 units, while the markets outside Sweden went up by 1,000, or 1 per cent.

Order intake for trucks and buses during the six months showed an increase over the same 1977 period. The order stock was basically unchanged compared with the first six months of last year. Truck sales in the U.S. are expected to show an increase since Volvo has concluded an agreement with the

U.S. company Freightliner Corporation which will take care of truck sales in North America as from January 1 next year.

Nearly all the divisions showed a 9 per cent increase in sales during the half year. Mr. Pehr Gyllenhammar, the managing director, forecasts that this year Volvo "will turn in a much improved balance sheet."

The half-yearly report gives no indication of the progress being made in the deal to link financially with Norway. The move, first unveiled in May of this year and at the time seen as a bold attempt to secure a sound future for Volvo, has run into stiff opposition both within Sweden and in Norway.

Exactly one year ago the company announced plans to merge with its fellow Swedish car manufacturer, Saab-Scania.

Dutch publishers lift profits

BY CHARLES BATCHELOR

AMSTERDAM, August 31.

START-UP COSTS on new F1 41.7m (\$19.2m). The tax charge was F1 1.5m lower at F1 12.2m while provisions for (F14.5m) due almost entirely to "autonomous growth." Operating profit rose 13 per cent to F1 24.3m.

The company reports that after-tax winding-up loss on its Sims joint venture with W. H. Smith which has been taken as a F1 1.4m extraordinary loss.

The two companies ended their five-year old retaining venture earlier this year after making losses which Elsevier said ran into "many millions" of guilders.

Work on an encyclopaedia which is due to be launched on the American market in 1980 and on a new Dutch news magazine, another Dutch publishing group, Elsevier, this led to a 6 per cent decline in the operating result to higher at F1 14.8m (\$6.9m) in guilders.

VNU's profit forecast for the year nonetheless indicates a slow-down in the recent strong growth in the publishing sector.

VNU's net profit rose 47 per cent in 1977 after a 77 per cent increase in the first-half. Meanwhile, another Dutch publishing group, Elsevier, this led to a 6 per cent decline in the operating result to higher at F1 14.8m (\$6.9m) in guilders.

The company can be seen as part of the wave of rights issues currently taking place on the Paris Bourse. Over the past few days, CFP and Saint Gotain have between them raised some \$380m in this manner.

Austrian Banking

Expansion satisfies the majors

BY PAUL LENDVAY IN VIENNA

THE MAJOR Austrian banks are in the whole satisfied with their performance during the first half of 1978 and are prepared to adjust to the consequences of the 1 per cent cut in the discount rate which came into force at the end of June this year.

As a result of this, interest rates on credits went down by "at least" half a percentage point while the basic interest on ordinary savings deposits was also reduced (as of July 1) from 4.5 per cent to 4 per cent. Money market rates dropped to 6 per cent and the yield on the capital markets fell under 8 per cent, which was described by the Creditanstalt Bankverein as a normalisation of the interest

structure "after a period of two years."

Meanwhile, the Association of Austrian banks and bankers has issued its comprehensive report for 1977. It comprises the balance sheets of 19 commercial banks, seven regional banks, three joint stock banks with special functions, four hire purchase institutes and three joint stock banks which are central institutes of their sectors (that is, savings banks and farmers credit cooperatives). The consolidated balance sheet of the 36 institutes at the end of 1977 totalled Sch 636bn, accounting for 54.5 per cent of the entire bank sector.

The report stresses the over-

average expansion in the mortgage and communal bonds as well as foreign exchange credits. While loans for a period of over five years registered a four per cent increase, the volume of short-term credits less than doubled. The report points out that trade and industry accounted for 58 per cent of the growth in loans extended by the member institutes.

All of the major banks have published their half-yearly reports. Creditanstalt Bankverein (CAB), the Number One reports that total assets of the Creditanstalt group rose compared to the end of 1977 by 4.2 per cent to Sch 126.5bn. Taking only the Creditanstalt, that is without associated and regional banks, the balance sheet expanded during the six months by 4.8 per cent to Sch 129bn. Domestic business was mainly responsible for the growth while foreign business remained at last year's level.

Demand for credit was sluggish in the first quarter, but became brisk in the second. In all, outstanding loans rose by 8.6 per cent to Sch 64.8bn.

Glozentrals, the central institute of the Austrian savings banks, reports a seven per cent

GHH sees maintained earnings this year

By Adrian Dicks

BONN, August 31.

WEST GERMANY'S largest mechanical engineering group Gutehoffnungshütte (GHH) expects to maintain earnings and to pay an unchanged cash dividend on the 1977/78 financial year ended June 30, the board told shareholders in an interim report today. For 1978/79, GHH paid DM 6 per DM 50 share, giving West German residents DM 9.38 with the tax credit.

The interim letter to shareholders gave no details of earnings, but showed that earnings both of sales and new orders for GHH as a whole grew scarcely at all in 1977/78. Sales were up 2.9 per cent on the home market and down 2.6 per cent abroad, giving an overall DM 12.1bn, just 0.4 per cent higher than in 1976/77.

New orders were up 1.3 per cent from abroad and down 0.9 per cent from domestic customers, giving an overall total of DM 12.4bn, unchanged from last year.

The group's order book, however, rose 10.5 per cent at June 30, as compared with a year earlier, largely as a result of a few large orders.

The Board described demand for capital goods of the type the group builds—machinery, machine tools and plant—as unsatisfactory, with the continuing upward drift of the Deutsche mark opening the way to increased import substitution in several important areas of the home market. There was no counterbalancing increase in export demand, although individual product areas once again varied widely.

A more gloomy situation was reported by the chairman of Gutehoffnungshütte, the country's largest producer of machine tools. Mr. Hans Barthelmeit told the annual meeting that Gutehoffnungshütte could not be able to resume dividend payments either for 1977 or for the current year, as had been hoped under the consolidation plan which brought him in as chief executive in 1975.

Gutehoffnungshütte, which has paid no dividend since 1973, has been hard hit by the weakness of export demand and especially by the collapse of its business with the Comecon states. Mr. Barthelmeit reported that these now amounted to only 10 per cent of the company's exports, compared with over half in the early 1970s.

The Japanese yen was slightly weaker at DM 198.20 than DM 198.10 previously. Using Morgan Guaranty figures at noon in New York, the dollar's trade weighted average depreciation narrowed slightly to 8.1 per cent from 8.2 per cent. Sterling traded quietly for most of the day and opened at \$1.9410-1.9420. Early strength in the dollar pushed the rate down to \$1.9380 at 10.15, before recovering in the early afternoon to \$1.9425. It reached its best level since after at \$1.9435 and closed at \$1.9430-1.9440, a rise of 25 points. Against other major

Dollar steadies in quiet trading

Activity in yesterday's foreign currencies showed little change, with the dollar generally low level ahead of the figures, its trade weighted index was unchanged at 82.4 having comparatively little change against most major currencies. In early trading, the U.S. currency looked slightly firmer although there was some speculation as to whether rates may have been held initially with official support. However, movements tended to be exaggerated by the prevailing thin conditions and later in the day the dollar began to slip away to finish at SwFr 1.6400 against SwFr 1.6360 in terms of the Swiss franc, having touched SwFr 1.6500 at one point with a low for the day of around SwFr 1.6270.

FRANKFURT—The dollar was fixed at DM 1.9865 compared with the previous fixing of DM 1.9855 but was down against its earlier level of DM 1.9880. Apart from the occasional brief flurry, trading was generally quiet with end of month operations keeping most German banks out of the market. In later trading the dollar stood at DM 1.9870 with little to prompt any real movement.

ZURICH—With little in the way of fresh news to affect the market, the dollar edged slightly firmer against most major currencies. At mid-morning the U.S. currency was quoted at SwFr 1.6470 and in terms of the West German mark at DM 1.9923.

MILAN—After its recent poor performance the dollar was steady against the lira in light trading and was quoted at L835 compared with L833 on Wednesday. In later trading the dollar was quoted at L12.1550.

AMSTERDAM—The dollar was fixed at F1 2.1555 compared with Wednesday's fixing of F1 2.1510.

TOKYO—In generally active but nervous trading, the dollar rose against the Japanese yen to closed at ¥190 compared with Wednesday's close of ¥189.725. End of month considerations saw a late demand for the dollar after fairly steady conditions earlier in the day. The U.S. currency opened at ¥189.60 and at one point touched ¥190.75 before falling back towards the close on some slight selling.

The West German mark was also firmer at DM 1.9875 compared with Wednesday's close of DM 1.9860 with a best level for the dollar during the day of DM 1.9940.

The Japanese yen was slightly weaker at ¥190.20 than ¥189.10 previously. Using Morgan Guaranty figures at noon in New York, the dollar's trade weighted average depreciation narrowed slightly to 8.1 per cent from 8.2 per cent. Sterling traded quietly for most of the day and opened at \$1.9410-1.9420. Early strength in the dollar pushed the rate down to \$1.9380 at 10.15, before recovering in the early afternoon to \$1.9425. It reached its best level since after at \$1.9435 and closed at \$1.9430-1.9440, a rise of 25 points. Against other major

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THE POUND SPOT				FORWARD AGAINST £			
Aug. 31	Bank rates	Day's spread	Close	One month	Three months	Six months	% p.a.
U.S. \$	1.5685-1.5685	1.5685-1.5685	1.5685-1.5685	0.42-0.42	0.58-0.58	0.74-0.74	2.51
Canadian \$	2.2510-2.2510	2.2510-2.2510	2.2510-2.2510	0.50-0.50	0.70-0.70	0.88-0.88	2.86
Belgian F.	60.25-60.25	60.25-60.25	60.25-60.25	0.72-0.72	0.92-0.92	1.10-1.10	2.86
Dutch G.	10.71-10.71	10.71-10.71	10.71-10.71	0.72-0.72	0.92-0.92	1.10-1.10	2.86
French F.	6.54-6.54	6.54-6.54	6.54-6.54	0.72-0.72	0.92-0.92	1.10-1.10	2.86
Italian L.	142.25-142.25	142.25-142.25	142.25-142.25	0.72-0.72	0.92-0.92	1.10-1.10	2.86
Spanish P.	165.10-165.10	165.10-165.10	165.10-165.10	0.72-0.72	0.92-0.92	1.10-1.10	2.86
Portuguese Esc.	200.48-200.48	200.48-200.48	200.48-200.48	0.72-0.72	0.92-0.92	1.10-1.10	2.86
Swedish Kr.	4.66-4.66	4.66-4.66	4.66-4.66	0.72-0.72	0.92-0.92	1.10-1.10	2.86
Swiss Fr.	2.00-2.00	2.00-2.00	2.00-2.00	0.72-0.72	0.92-0.92	1.10-1.10	2.86

Belgian rate is for convertible francs. Financial franc 62.50-62.50.

Six-month forward dollar 2.20-2.20 per £. 12-month 4.35-4.35 per £.

THE DOLLAR-SPOT				FORWARD AGAINST \$			
Aug. 31	Bank rates	Day's spread	Close	One month	Three months	Six months	% p.a.
U.S. \$	1.5685-1.5685	1.5685-1.5685	1.5685-1.5685	0.42-0.42	0.58-0.58	0.74-0.74	2.51
Canadian \$	2.2510-2.2510	2.2510-2.2510	2.2510-2.2510	0.50-0.50	0.70-0.70	0.88-0.88	2.86
Belgian F.	60.25-60.25	60.25-60.25	60.25-60.25	0.72-0.72	0.92-0.92	1.10-1.10	2.86
Dutch G.	10.71-10.71	10.71-10.71	10.71-10.71	0.72-0.72	0.92-0.92	1.10-1.10	2.86
French F.	6.54-6.54	6.54-6.54	6.54-6.54	0.72-0.72	0.92-0.92	1.10-1.10	2.86
Italian L.	142.25-142.25	142.25-142.25	142.25-142.25	0.72-0.72	0.92-0.92	1.10-1.10	2.86
Spanish P.	165.10-165.10	165.10-165.10	165.10-165.10	0.72-0.72	0.92-0.92	1.10-1.10	2.86
Portuguese Esc.	200.48-200.48	200.48-200.48	200.48-200.48	0.72-0.72	0.92-0.92	1.10-1.10	2.86
Swedish Kr.	4.66-4.66	4.66-4.66	4.66-4.66	0.72-0.72	0.92-0.92	1.10-1.10	2.86
Swiss Fr.	2.00-2.00	2.00-2.00	2.00-2.00	0.72-0.72	0.92-0.92	1.10-1.10	2.86

Belgian rate is for convertible francs. Financial franc 62.50-62.50.

Six-month forward dollar 2.20-2.20 per £. 12-month 4.35-4.35 per £.

U.S. cents per Canadian \$.

Aug. 31	£	\$		Note Rates
Centina Pesa.....	1,617.1,681	832.84	Austria.....	27.50-28.30
1,635.4,400.5	0.864-0.859	Belgium.....	10.60-10.51	
land Marks.....	7.95-7.97	4,092.0-4,040	Denmark.....	10.50-10.75
and Cruzeiro.....	36.02-37.02	16.25-19.04	France.....	6.42-8.52
and Dracmas.....	70.948-72.687	36.50-37.40	Germany.....	3.80-5.90
		9.12-9.13		

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Asiadollar expansion slows

SINGAPORE, August 31. EXPANSION of the Singapore Asiadollar market slowed significantly in July, when total assets grew by S\$4.5m after a \$1.02bn rise in June, the Monetary Authority of Singapore (MAS) said.

Provisional MAS figures showed that total assets of the Asiadollar market rose to \$23.1bn in July from \$23.05bn in June and \$18.43bn in July of last year.

MAS said the slowdown was mainly due to declines in inter-bank activity while non-bank customers' borrowings and deposits increased. Activity in the non-bank sector was largely with non-residents.

Interbank lending fell to \$17bn in July from \$17.1bn in June compared with \$13.7bn in July 1977, while loans to non-bank customers increased to \$5.5bn from \$5.4bn in June and \$4.3bn in July last year.

Non-bank customers' deposits rose to \$2.6bn from \$2.4bn and \$2bn respectively, while inter-bank deposits fell to \$18.5bn from \$19.7bn and \$16.1bn.

MAS said that during the month, another floating rate dollar negotiable certificate of deposit amounting to \$15m was issued. On the Asiadollar bond market, a floating rate note issue of \$40m was made.

Earnings growth at Elron

By L. Daniel

HAIFA, August 31. THE ELRON group of companies—among Israel's largest electronics producers—reports an 84 per cent increase in sales during the past year to \$36m, of which exports accounted for 65 per cent. After-tax profits rose 138 per cent to \$880,000, and it is proposed to pay a gross cash dividend of 10 per cent and 30 per cent in bonus shares.

The group includes Elbit Computers, Elscint and SDSL, the first of these expects to broaden international markets for its microcomputers this year, while Elscint is concentrating on selling abroad its nuclear equipment. SDSL makes electronic irrigation equipment.

A new company recently set up in partnership with U.S. interests is to produce fibre optics. It will specialise in the application of glass fibre technology in communications equipment.

Arabian Chevron

Arabian Chevron, a subsidiary of Standard Oil of California, has bought a 20 per cent stake in Saudi Cable Company, becoming the eighth partner in the \$3m Saudi-American venture, agencies report from Jeddah. Saudi Cable was established two years ago in partnership with Atlantic Richfield's Anaconda Company which also holds a 30 per cent share. The remaining 60 per cent is held by Saudi Arabian partners.

Japanese shipbuilder to cut dividend

BY CHARLES SMITH

JAPAN'S leading shipbuilder Mitsubishi Heavy Industries, will probably suspend its interim dividend this autumn for the first time in the company's history and is likely to reduce its normal ¥12 dividend next spring.

This was revealed today by the company's vice-president, Mr. Masao Suzuki, who also gave figures for expected ship sales during the first half of the company's financial year (to the end of September). Sales of ships will probably reach only ¥127bn during the six-month period compared with ¥265bn in last year.

For the full year to April 1979 Mitsubishi expects sales to reach ¥1,310bn and after-tax profits to be in the neighbourhood of ¥10bn.

The appearance of a profit in the second half of the year seems more likely to reflect accounting procedures than any real upturn in the company's business.

There seems, in point of fact, to be no reason to expect ship sales to improve before the end of the year.

Although Mitsubishi Heavy Industries is the first big shipbuilder to admit publicly that it may suspend its interim dividend, Japan's other big league shipbuilders seem almost certain to follow suit. The majority of the other companies are believed

to be facing a worse business situation than Mitsubishi's although their positions vary sharply depending on the share of shipbuilding in overall sales.

● Tokyo Sanyo Electric Company will issue 20m shares of new capital stock in the form of Continental Depository Receipts (CDRs), each consisting of 1,000 common shares. The issue will be made in Amsterdam on September 29 at a price yet to be set.

The Japanese sales company for Sanyo Electric issued 14m shares in CDR from last February.

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Bombay Dyeing spending plans

BY R. C. MURTHY

BOMBAY, August 31.

BOMBAY Dyeing and manufacturing Company is embarking on a massive investment plan both within and outside the country. The company proposes to set up a Rs.340m (\$44m) plant to manufacture 60,000 tonnes of dimethyl terephthalate (DMT) with a shift in favour of synthetics.

Under the new textile policy of the government, demand for polyester fibre and filament, for which DMT is the raw material, is expected to rise sharply.

And the screening committee appointed by the government has already cleared the DMT proposal.

Bombay Dyeing is entering into technical collaboration and financial participation with Commonwealth Textiles (Jakarta) to set up a textile unit at Bandung, Indonesia. The company intends to subscribe to 40 per cent of equity capital, 40 per cent is coming from Commonwealth Textiles and 20 per cent from local Indonesians. The total cost of the venture is placed at \$13m. Its gross annual turnover is expected to be \$10m during the first phase of the project.

The company, which exports more than 20 per cent of textile production, is also undertaking a second modernisation plan. It is establishing a new Rs. 23m textile processing plant at Roha, 120 km from Bombay, to cope with the expanding requirements.

In the 15 months ended last March, Bombay Dyeing's sales crossed the Rs. 1bn mark. The improvement in sales an effective increase of 6.4 per cent was mainly due to a shift in product mix towards high-priced and high-margin fabrics, especially synthetic blends. As a result, profits before tax rose by 50 per cent—from Rs. 32.2m in 1976 to Rs. 56.2m, which included an excess provision made in previous years. Profits after tax and other adjustments amounted to Rs. 47.4m for the 15 months ended March, against Rs. 17.8m for calendar 1976.

The company recommends a Rs. 5 dividend (20 per cent) and the prospect of a new Rs. 23m plant, which entered its centenary year on August 23, look solid in view of the rising demand for textiles in home and export markets.

However, optimism is tempered given the impact of the new government textile policy, which envisages the shifting of the responsibility of producing cloth from the private sector mills to the government owned National Textile Corporation.

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Slight fall at Calcutta Colon

By P. C. Mahanti

CALCUTTA, August 31.

CALCUTTA Colon, originally a British American Tobacco offshoot but no longer a subsidiary of any foreign company, to quote the latest annual report, has been maintaining its record of sales growth.

During the year ended March, turnover totalled Rs. 3.85bn compared with Rs. 3.67bn. However, the pretax profit for the year ended to Rs. 84.4m from Rs. 87.3m due to higher interest costs. A final dividend of 15 per cent has been declared the same as for the previous year.

The annual report says that sales of tobacco products grew by 4 per cent despite the stiff rates of excise levied, and leaf tobacco exports were a record Rs. 294m compared with Rs. 280m.

The hotel division of the company has launched three hotels at New Delhi, Agra and Madras and has been offering technical and operations consultancy to six new hotels promoted by other interests.

Vickers down in Australia

VICKERS MANUFACTURING

of heavy mining and industrial equipment, suffered an 11.7 per cent dip in earnings, from A\$1.18m to A\$1.04m in the June half-year writes James Forth from Sydney. Group turnover however, rose almost 37 per cent from A\$30.7m to A\$41.9m, largely reflecting the inclusion of sales from Vickers Cockatoo Dockyard, acquired recently from the UK parent.

The directors said that Vickers Cockatoo Dockyard's contribution to profit since acquisition on January 2 was A\$173,000 compared with A\$208,000 for the same period last year. They said that the bulk of the dockyard sales was made up of cost plus work for the navy, which resulted in a very satisfactory return on capital employed, but had the effect of reducing the return on group sales.

Profit was also down because of losses incurred by sections of the group's steel foundry business as a result of inadequate market situation remained extremely competitive and profit margins in general were unsatisfactory.

The second department store chain in the country, Supersol, which is Canadian-owned, is increasing its capital by the issue of 2.8m registered 15 ordinary shares and 400,000 registered 15 ordinary shares each, to be sold in units of seven 15 and one 15 shares. In addition the company will offer 2m registered 15 ordinary shares each to its employees, on as yet unpublished terms.

The company is planning to construct a 100-room hotel in the holy city of Varanasi (Benares) to cater for international tourists. It is also providing management services to the West end hotel, Bangalore and the Savoy Hotel, Ootacamund.

A plea is made to the Government for priority status, which involves extension of fiscal and other benefits allowed to other industries. Industries now given priority status, says Mr. Tata, are of no greater importance to the country as regards their foreign exchange earnings and employment potential.

Two medium-sized Israeli insurance companies are increasing their capital in order to keep pace with inflation which looks like reaching 40 per cent this year for the third year running. The Yardenia Insurance Company intends to sell 150m NPV yet undisclosed price.

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Bridge Oil strike lifts the market

By Our Own Correspondent

SYDNEY, August 31. BRIDGE OIL and its two partners in the Bogo Creek No. 2 well in the Surat basin in Southern Queensland have struck oil, it was announced in a report to stock exchanges yesterday.

Bridge partners in the project are Offshore Oil N.L. and Allgas Energy. Bridge and Offshore Oil each have a 37.5 per cent interest in the well with the remaining 25 per cent held by Allgas, which is a Brisbane gas utility. Allgas earned its interest in this its first drilling venture with Bridge and Offshore by paying for the drilling. It has an agreement with Bridge, Offshore and International Oil to buy up to 566m cubic metres of natural gas from the consortium's Silver Springs-Boxleigh gas field if the reserves prove more than 1.32m cubic metres.

News of the oil find sparked a sharp rally of activity on national sharemarkets.

Both Bridge and Offshore shot ahead when the news reached traders. Bridge traded strongly to surge to a high of A\$1.52 before easing to close at 1.48—up 35 cents on the day. Offshore also jumped from Wednesday's close of 7 cents to end the day at 11 cents on strong turnover. Allgas was untraded in Sydney but stronger on the quotes there. It soared 45 cents to A\$2 on its home exchange of Brisbane.

The rally in the oil stocks took National markets to 1978 peaks and held the Sydney exchange at a five-year high.

The directors propose to hold the dividend steady at 5 cents a share after an interim payout of 2 cents and a final of 3 cents a share.

The latest result is a sharp setback after the group's performance last year when profit rose 44 per cent to A\$5.18m. Interim earnings fell 45 per cent from A\$2.83m to A\$1.55m while the second-half profit slipped 5.2 per cent from A\$2.36m to A\$2.24m.

Sales increased by 1.8 per cent from A\$153m to A\$155m. Commenting on the result, the directors said: "Weak demand for most products and services prevailed during the year, particularly in those businesses dependent on manufacturing and metal processing industries. Sales in these areas were lower than anticipated and were further depressed by the Victorian power strike."

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APPOINTMENTS

An important autonomous subsidiary of substantial British owned company wishes to appoint a:-

Managing Director

Retail

This is a challenging appointment requiring PROVEN company management experience as well as a comprehensive knowledge of retail. Although the product range is entirely non-food, recent involvement in the development of mass merchandise operations such as Superstores, Large Scale Supermarkets or Hypermarkets is a distinct advantage. The company plans to quadruple, as well as to upgrade the number of its outlets during 1979.

The career prospects are excellent, both within the job itself, and at a later date within the group as a whole. The remuneration package is generous. It is negotiable to attract the most experienced and ambitious executive.

West London Age 30-40 Salary circa £15,000

Applications should be forwarded as soon as possible quoting WFF

I Robin R Whalley

A INTERNATIONAL APPOINTMENTS (LONDON) LTD

(Executive Recruitment Consultants)

L Calder House, 1, Dover Street, London W1X 3PJ. Telephone: 01-639 6867/8

Cable: Interapt. London W1.

MERCHANT BANKER

A manager is required for the Merchant Banking subsidiary of a substantial Public Company with international merchant banking and manufacturing interests. General merchant banking experience obtained in the City; a successful record of assessing and developing new business, particularly advances, and suitability for appointment to the Board in due course will be essential attributes of the successful applicant. Location London W1. Remuneration and other benefits negotiable. Applications, stating any Bank to whom details should not be forwarded, to:

The Deputy Chairman, c/o Hill Vellacott (Ref. TH/273),
Hanging Sword House, 21 Whitefriars Street,
London, EC4Y 8AL.

CONTRACTS AND TENDERS

IRAN

ABADAN PETROCHEMICAL CO.

Abadan Petrochemical Co. is interested in the purchase of 15,000 tons of grade 60, 65 and 70 PVC resin suspension type monthly from 15th Nov. 1978, to 15th April, 1979, a total of 90,000 MT in six months' closing date for offer is Sept. 23rd, 1978.

For further information and terms of tender please contact our main office at the following address:

P.O. Box 2925,
Tehran, Iran.
Telex: 212340 APCO IRAN

COMPANY NOTICES

CORRECTED NOTICE

CREDIT LYONNAIS

1977/1983

U.S.\$80,000,000—Floating Rates

Bondholders are hereby informed that coupon No. 6 of the above loan will be payable as from February 15, 1979, at a price of US\$104.63 per coupon, representing 107/32nd of an interest of 8 1/2% per annum covering the period from August 10, 1978, to February 12, 1979, inclusive.

The Fiscal Agent is LUXEMBOURG.

CREDIT LYONNAIS—LUXEMBOURG.

IMPERIAL GROUP LIMITED

NOTICE IS HEREBY GIVEN that the under Books of the 544, Unsecured loan Stock 1982/85 of Imperial Group Limited will be closed from 17th to 30th September, 1978, both days inclusive, for a preparation of interest warrants.

By Order: M. DAVIES, Group Secretary.

ndgn 1 September, 1978.

BLUE CIRCLE INDUSTRIES LIMITED

(formerly The Associated Portland Cement Manufacturers Ltd)

NOTICE TO HOLDERS OF SECURED WARRANTS

NOTICE IS HEREBY GIVEN to the holders of the Company's Secured Warrants to bear that an interim dividend of 2.5% on an account of the year ended 31st December, 1978 will be paid on or after Monday, 18th October, 1978 to holders of Secured Warrants upon presentation of COUPONS NO. 35.

Warrant holders who are employees of Blue Circle Industries Limited or of any of the subsidiary companies, should follow the instructions shortly to be displayed on Company notice boards; warrant holders who are not employees should present their COUPONS NO. 35 to the Company at the address shown below through an Authorised Depository, or after 16th October, 1978, to the Secretary of the Board.

By Order of the Board: N. W. R. HAM, Secretary.

Portland House, 1st Floor, 151, Strand, London, W1A 2JL.

1st September, 1978.

NU-SWIFT INDUSTRIES LTD.

NOTICE IS HEREBY GIVEN that the Register of Members and Transfer Books of the Company will be closed from 25th September, 1978, to the 25th September, 1979, both days inclusive.

By Order of the Board: G. H. WOOD, Secretary.

NU-SWIFT FACTORY, 1st Floor, 151, Strand, London, W1A 2JL.

1st September, 1978.

Transfer Office: West Yorkshire, Hope, Askr & Co., 25-26, City Road, London EC1Y 1AR.

FINANCIAL ADVISER required. Experienced in mergers and acquisitions. Industry to reorganise financial structure of small or medium sized company. Please write Box A.6457, Financial Times, 10, Cannon Street, EC4A 3DF.

LEGAL NOTICES

IN THE MATTER OF THE COMPANIES ACT, 1948

IN THE MATTER OF ADOLPH ECKHART LIMITED

Registered Office: 15, Whitefriars Street, London, E.C.4Y 8AL.

NOTICE IS HEREBY GIVEN pursuant to Section 298 of the Companies Act, 1948, that a General Meeting of the Members of the above-named Company will be held at the office of the Liquidator, 25, Abchurch Lane, E.C.4A 3DF, on the 15th day of September, 1978, at 11.30 a.m., for the purpose of considering and approving the Liquidator's Report and the accounts of the Company for the year ended 31st December, 1977, and for the purpose of voting on the proposed dividend of 10% on the ordinary shares of the Company.

By Order of the Liquidator: R. S. FLOYD, Liquidator.

Dated this 23rd day of August, 1978.

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BIDS AND DEALS

Lyons looking for recovery

Mr. Neil Salmon, chairman of J. Lyons and Co., made it quite clear yesterday in his letter recommending the offer from Allied Breweries, that he did not intend to forecast the year's profits when he told shareholders of his hopes for the company at the annual meeting.

At that meeting, only a week before the announcement of Allied's bid, Mr. Salmon had told shareholders: "In the year ended March 1977 we reported pre-tax profits of £10.4m for the full year and £4.4m in the first 24 weeks; in the current year we expect to improve significantly upon those results."

Now Mr. Salmon says that his earlier statement was only meant to encourage shareholders to expect a restoration of dividend levels.

Apparently there are too many variables to permit such a forecast although, one now pin-pointed—the weather—was taken into account in the earlier statement.

Apart from this explanation, which it is believed involved discussions with the Takeover Panel, Mr. Salmon merely reiterates his belief that the merger will "accelerate an already encouraging trend" in Lyons' profitability.

Mr. Keith Showering, chairman of Allied, seems also to be counting on strong recovery in his covering letter when he says that he is firmly of the opinion that the acquisition of Lyons would enable the company "to achieve a higher return on capital for Allied's shareholders."

Mr. Showering's letter is virtually identical to the advertisement which Allied placed in several national newspapers last week at the time when the pension funds' anger over the company's refusal to consult shareholders was at its peak.

Yesterday's documents include the recommended offer for Lyons' preference shares which will cost Allied just under £700,000 in cash. Warrant holders, like the ordinary holders, are being offered new Allied shares. This will increase Allied's ordinary capital by 12 per cent.

The documents also include a pro forma balance sheet based on the two companies' year end positions. The financial advisers, Samuel Montagu for Allied and Norman Grenfell and Rothschild for Lyons, point out, however, that this does not purport to cover the current financial position.

Allied's total borrowings, for instance, were £238m at the year end. On July 28 they had risen to £267m, but this was before the sale of the Trust House Forte stake for £43.4m.

Lyons' borrowings fell from £235m at the March year end to £217m at the end of July.

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LAING RECONSTRUCTION

An impressive case

BY JOHN BRENNAN, PROPERTY CORRESPONDENT

On October 30 there will be two Laing businesses quoted on the Stock Exchange. Details of John Laing and Son's proposals to reconstruct the group, forming separately quoted construction and property companies, are sent to shareholders today. But as the Laing family and its associates plan to vote in favour of the scheme, the meetings on September 26 should be little more than a formality.

The Laings and family associated companies control 65 per cent of the ordinary shares and 48.3 per cent of the non-voting "A" shares (which get a vote just for the reconstruction plan). With these in favour, and a firm recommendation to shareholders from their Board and its financial advisers, N. M. Rothschild and Sons, there should be no trouble attracting sufficient outside backing to make up the three-quarters vote needed.

Not that minority holders are likely to object to the plan. In its commendably clear explanation of the proposals, Laing puts a case for the division of the business.

Sir Maurice Laing, the chairman, explains that there is both commercial and investment logic in the move.

In recent years Laing, in common with the rest of the construction industry, has had to agree to contract guarantees covering the whole of the group's business.

Speaking about this yesterday he pointed to the stupidity of the situation where, as in recent years, the group's contractors were expected to give across-the-board guarantees. Laing would have had to put on charge all its assets in exactly the same way as a £30,000 building firm competing for the job.

Sir Maurice feels that as guarantees become standard, and contracting schemes larger, it is unreasonable to leave the property operation vulnerable to a contracting risk.

As an investment move he argues for the reconstruction saying that, in his view, the range

of Laing's activities, "has tended to mask its true value in stock market terms... Separation of two very different activities will allow the investment community to value each individually on its own merits."

Sir Maurice also feels that Laing's image as a construction group leaves the size of its property business unrecognised and as "both of these businesses are managerially and financially thoroughly capable of standing on their own feet... the division will be structurally simple."

Sir Maurice and Sir Kirby Laing dismiss suggestions that the move is to improve the marketability of the shares so that the family can more easily reduce its holdings. "We have no intentions of that sort at all," says Sir Kirby.

Speculation that the idea anticipates any future moves to nationalise the contracting industry may be nearer the mark. But whatever the underlying thinking, the case for reconstruction is impressive.

The plan is to form one new company, John Laing Limited, to incorporate Laing's construction, homes and construction materials businesses. Sir Maurice would be chairman of the new company and Sir Frederick Catherwood has agreed to become a non-executive director.

Laing Properties, chaired by Sir Kirby and including Mr. Leopold de Rothschild among its non-executives, would run Laing's property investment and development activities.

Based on 1977 results, the construction company would have a turnover of £418m and pre-tax profits of £16m. On a June 1978 valuation its net assets would be £49.8m, or 82p a share.

A worldwide revaluation of Laing's properties boosts the gross book worth from £47.9m (mainly on an eight-year-old valuation) to £23.2m. Net assets amount to £28.1m.

Baird & Tatlock sale in hand

BY ANDREW TAYLOR

G. D. Searle, the U.S. pharmaceutical and hospital products group which has announced plans to unload around 20 of its businesses—including the UK unit—is currently negotiating the sale of its British subsidiary Baird and Tatlock, and its bioscience division to a German group E. Merck.

Searle when it announced the disposal programme—through a combination of sales and wind-up—said that it wanted to concentrate on its original and more successful pharmaceutical interests. This puts into reverse the group's policy of diversification which was most active during the 1960s.

Twelve of the businesses affected are in Europe, including

the four UK operations. Searle said yesterday that it had already disposed of one of its UK operations but declined to give further information.

The U.S. group is maintaining its pharmaceutical and hospital products divisions in the UK. Baird and Tatlock based in Essex supplies laboratory equipment and fine chemicals, with net assets said to be £15m. Merck, which already has laboratory equipment interests in the UK, is a pharmaceutical group based in Darmstadt.

Last year Searle incurred a net loss of £28.4m (£14.6m) but this was after write-offs and losses

totaling \$63.8m (£32.6m) against the businesses to be discontinued. However, in the first half of the current year net earnings from the remaining businesses increased by 7 per cent to \$33.4m (£17.2m).

AGB Research—D. M. W. Arrie and R. H. Gapper, directors, have disposed of 5,000 and 10,000 shares respectively.

Elliott Group of Peterborough—A. V. Houston, director, bought 10,000 shares on August 24 and Mrs. Houston bought 20,000 shares on August 24. T. H. Ison, director, bought 2,000 shares on August 25, and P. E. Smeeth, director, bought 2,000 shares on August 25.

Jardine Japan Investment Trust—The Merchant Navy Officers' Pension Fund now holds 7.45 per cent of company's shares.

Renfold Group—Sophus Berendsen A/S of Copenhagen has bought further 140,000 shares making total holding 323,111 (35.1 per cent).

Sime Darby Holdings—Holdings by companies in which Wee Cho

cost of sales £248,000, and net monetary assets £285,000.

Although sales during the year at the subsidiary, Doran Electronics were disappointing, the directors are hopeful that it can now move towards a more successful era.

At Electroplan, both sales and profits rose sharply, while exports, although still relatively small, increased more than threefold. The directors see ample scope for further development and in this company over the next

few years, following its recent rapid growth rate.

Despite the acquisition of a further 37,000 sq ft warehouse space in London for RS components, the directors are investigating additional accommodation outside London in anticipation of further growth.

Radio Resistor recorded a year of substantial sales expansion in its field of passive components and is in a good position to continue expanding rapidly over the next few years, says the chairman.

As already known, group pre-tax profit jumped from £4.34m to £7.6m for the March 31, 1978 year, an external sales of £23.58m (£22.83m), including exports of £1.61m (£1.17m). A one-for-one scrip issue is also proposed.

On a CLC basis, profit is reduced to £6.98m, after adjustments for depreciation of £85,000.

Members are told in his annual statement that growth during recent years has been substantial and the directors currently see this growth continuing.

The development of Electrospares begins to take the group into new areas of distribution and the directors' investigation into other distribution fields will continue, Mr. Marler states.

All subsidiaries are eager to develop and expand product ranges and their initiative in such expansion is being encouraged, he adds.

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MINING NEWS

Copper and zinc check MIM earnings

BY KENNETH MARSTON, MINING EDITOR

LOWER PRICES for copper and zinc coupled with reduced sales of those metals are reflected in a fall in net profits of Australia's MIM Holdings to A\$20.28m (£23.38m) for the year to June 30. The latest figure, which is before an extraordinary profit of A\$7.77m, compares with A\$24.69m (£28.81m) for the year ended June 30, 1977. A final dividend of 6 cents (3.6p) makes an unchanged total of 9 cents.

Costs rose in the past year with wages and salaries increasing by 9.3 per cent and rail freight rates climbing by 18.5 per cent. Capital expenditure rose to A\$72.47m from A\$45.42m in the previous 12 months as a result of continued spending on the Agnew nickel project in Western Australia, the new lead stack at Mount Isa, a copper rod line at the Townsville refinery and the purchase of the Newlands coal deposit in central Queensland.

During the past 12 months MIM's lead sales rose to 153,122 tonnes from 146,540 tonnes in 1976-77 while those of silver increased to 401,173 kgs from 358,000 kgs. On the other hand, copper sales dropped to 130,518 tonnes from 147,809 tonnes and zinc sales fell to 80,435 tonnes from 90,254 tonnes. MIM shares were 204p yesterday.

YUGIN EXPANDS IN AUSTRALIA

Yugin, the Japanese affiliate of the Hong Kong precious stones trading group, Kunning Commercial Corporation, is to acquire 27 per cent of Consolidated Exploration, an Australian company,

according to a statement released yesterday in the Melbourne Stock Exchange.

The stake is being transferred from Bluefields Exploration, a subsidiary of Minefields, which is linked to Consolidated through cross-directorships, and from the transfer to Yugin indicated its intention to revitalise Consolidated's exploration and gem trading activities. Yugin has been active in India, Asia, South Africa and Western Australia for a number of years.

Reflecting a higher production of tin concentrates together with an increased price received for sales, the Malaysian-incorporated Southern Kinta has made a pre-tax profit of M\$12.5m (£2.8m) in the year to March 31 compared with M\$10.6m in 1976-77.

However, an increased tax charge reduces the latest net profit to M\$4.83m, equal to 57 cents per share, against M\$4.81m a year ago. A final dividend of 7 cents (15.8p) less declared of 7 cents (15.8p) less Malaysian income tax of 40 per cent.

Kamunting Tin also more from its tin operations in the past year to March 31. But adverse currency adjustments on net current assets coupled with a balancing charge for UK tax as a result of the transfer of control to Malaysia have left the company with a net loss of M\$182,000 against a profit in the previous year of M\$531,000.

Mr. Barry Holloway, the Finance Minister, said the tax of 70 per cent, less standard tax of 33 per cent, will apply when a venture earned more than 20 per cent after extra tax would not apply until a project recovered its initial investment.

The Government of Sri Lanka is to invite foreign firms to help the state gem corporation to modernise the island's precious stones industry. Although exports were worth £10m last year, it is thought that gems worth half this sum are smuggled out of the country every year, reports Merwyn de Silva from Colombo.

North Korea has purchased 15,000 tons of manganese ore from Pakistan, of which one-third will be shipped this year and the remainder in 1979.

Iron ore mining and shipping from the Rio Tinto-Zinc group's Hamersley operation in Western Australia has returned to normal after a series of industrial disputes which began on August 11. News of the settlements was delayed because of the Australian telecommunications dispute.

Sherritt Gordon Mines, the Canadian metals and chemicals group, had net earnings of C\$6m (£2.7m) in the 1978 first half compared with C\$4.8m in the same period of 1977. Operating profits

of 5% Guaranteed Convertible Debentures, due 1988 of Rockwood International, Inc. (Formerly Levin-Townsend International, Inc.)

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BOOKS

Jackboot Britain

BY C. P. SNOW

SS-GB by Len Deighton, Cape, £4.95, 356 pages

Up to this book I had not been comfortable with Len Deighton's writing. The curious thing is, I had not found him specially readable. In this I am clearly out of step, among hundreds of thousands in the English-speaking world. There is no reason to suggest that my taste in readability is preferable to that of my fellow citizens. Taste in readability is an irreducibly subjective affair. For what it is worth, and it is nothing but a subjective indication, Deighton's literary manner, and possibly his habits of mind, have seemed to me staccato—or too bitty or disconnected—to get on easily with my own. I felt that he was lacking in narrative glue or lubrication, for me an essential element in high readability—as evinced, say, by Winston Graham, that modest and for me supremely readable writer.

This book, however, has removed most of my difficulties. I enjoyed it, or most of it, and didn't find any reluctance to turn from page x to page x+1.

It is only stupid intellectuals who don't realise that all the great novels impel one to turn

like that: they need other qualities, but without that one, they wouldn't be great novels. I won't need any exhortation from me to press the book on thousands or millions already addicted to Deighton. I am really trying to persuade some who, like myself, have somewhere been put off.

The scenario of SS-GB is simple. Actually it has been used before more than once. At the beginning of the last war a novel appeared describing a Nazi occupation of Britain: in 1940 or 41, so far as I remember, it was discreetly withdrawn from circulation. Deighton gives his own version of a Nazi occupation, thought out with his peculiar individuality, which is quiet but very strong.

The period of the book is the last summer and autumn of 1941. The Nazis have successfully invaded. The British surrender was signed early in that year. The Nazis have occupied the country, leaving part of the native administrative apparatus in being—as with Scotland Yard and much of the police force, where we find a young and brilliant Detective Superintendent continuing his investigation of murders very much as though the occupation hadn't happened.

Many of these features of the Nazi procedure in conquered countries, Deighton has adapted from France after 1940. It reaches disagreeably near the bone, for anyone who was on the scene at the relevant time. As I have mentioned before in my reviews, there was a good deal of private speculation about who, if the worst happened, would find it desirable to see the best qualities of the Nazi regime. In the beginning of the novel the smart clubs are still open, and for the rich there is good food. For most of the population, material living is, though not intolerable, getting pinched. High Civil Servants still celebrate a promotion in the Reform Club. This brings back memories of cool-headed men, with reason to believe that they wouldn't be popular with the Gestapo, carrying means of self-disposal in their wallets, right through that period, perhaps to the end of 1942.

The detail is done with pointillist accuracy. The novel is a political thriller, but the achievement, and the bitter charm, of the book rest in the atmosphere. Deighton is better at creating a mood than at plotting a whole range of subject matter small arms to the Nazi organisation.



Len Deighton: Occupation fantasy

Len Deighton: Occupation fantasy. The novel is a political thriller, but the achievement, and the bitter charm, of the book rest in the atmosphere. Deighton is better at creating a mood than at plotting a whole range of subject matter small arms to the Nazi organisation.

Philosopher's touchstone

BY REGINALD MAUDLING

Idealist Epilogue by G. R. G. Mure, Oxford, £6.50, 175 pages

This is a difficult book to review. It is not always an easy book to read. There are many passages where you have to ponder every sentence, even every word, such is the subtlety of the author's mind and the intensity of his understanding. Yet there are many other passages where the dialogue, for the book takes the form of a dialogue between the author's self and his other self, flows as easily and as happily as Rupert Brooke's Cambridge waters. But though the reading of it may be a strenuous task, it is immensely worthwhile, for this is the product of one of the outstanding intellects of our generation.

Not that Geoffrey Mure is any crusty or dusty academic philosopher. Certainly the works of Hegel, to which he accords such high stature, and on which he is the expert, are such as to daunt many would-be readers. In fact, Geoffrey Mure himself admits that he finds parts of them beyond comprehension. But his description of how he came into the main stream of idealist philosophy, from Plato and Aristotle, through Kant to Hegel, and on to Bradley and Joachim, is combined with his deep feeling for and enjoyment of the arts, the beauty of life, and his humanity, what, in fact, Socrates Forsythe could never grasp, the beauty and the loving of the world.

Geoffrey Mure went to Oxford just before the First World War, and his studies of philosophy were interrupted when it started. The war had a profound effect on his thought, as he says: "When war was declared I was thankful, first, that we were fighting with France and against Germany, and second, that I should probably not have to sit my final School in 1915." But he then goes on to describe his return to Merton in 1919, and the offer of the post of Philosophy Tutor of Merton to succeed Joachim. He describes it in this

way: "For more than four years I had not read a philosophical book nor even thought much about philosophy, but I found the subject now less baffling and much more exciting. So I entered upon the academic life. I doubt whether I should have done so if I had not had four years of war as a regimental officer."

There was a legend that during the First World War another distinguished Professor at Merton was approached by a group of very patriotic young women while walking in the streets of Oxford, who presented him with a white feather, and asked him if he did not know that young men were out in France fighting for civilisation. To which he replied, "Madam, do you not realise that I am the civilisation for which they are fighting." Geoffrey Mure both was the civilisation and fought for it.

Together with the extraordinary subtlety and agility of his mind, Geoffrey Mure's humanity adds to his remarkable personality. He rowed hard and well (a sport I personally could never understand). He wrote delightful fairy stories. He enjoys life and people. He was a superb tutor to the young, full of that sceptical understanding that counts so much in any tutor. But he certainly was not adverse to controversy. He had his favourite dislikes, ranging from the Germans to the modern logical positivists, such as A. J. Ayer, and he did not hesitate to express his views with some vigour, e.g. when defending Hegel in this dialogue against any charge of militarism he says, "It was after the Second World War that people who obviously had not read Hegel's *Phenomenology* began to abuse Hegel hysterically and blindly."

I would not in this review attempt to summarise Geoffrey Mure's philosophy; it would be foolish to attempt it. What I would stress are two things, first, the astonishing range and depth of his reading and understanding of both philosophy and literature, a cloak of learning which he wears lightly, and the unforged way in which he moves from example to example in the world of poetry, music, and philosophy. Second, the essential humanity and goodness of his philosophy. I remember as one of his pupils how Geoffrey's theme was that the good, the true and the beautiful were one and that on the basic Hegelian principle the unity of the whole depended upon the differentiation of the parts.

He ends his dialogue with a pessimistic account of the future development of the human race: "I don't doubt that at least from the beginning of this century, perhaps earlier, the human species has declined in quality in inverse proportion to its increase in quantity; declined in thought and action, art and morality, indeed by any standard you can think of except health and expectation of life. The real danger with which the uncontrolled proliferation of mankind threatens us is not starvation. Science for some time will produce a sufficient quantity of food at the expense of its quality to balance Nature's continuing production of more and more inferior human beings. The danger is that, after a little token bloodshed and a great deal of dishonourable appeasement, man will lie flattened under the tyrannies which egalitarianism inevitably begets."

I have an idea that Geoffrey's tongue was a little in his cheek at the time he wrote that. Perhaps he felt that it was incumbent upon him as now a very senior citizen, to express these views. Perhaps he had to dissociate himself from Rabbi Ben Ezra, "Grow old along with me, the best is yet to be." Certainly the simple fact is this. His dialogue taken as a whole does nothing to create pessimism about the progress of the human race. It creates optimism about the potential progress of the human spirit. In this, perhaps, lies his greatest contribution.

Fiction

Mail order man

BY ISABEL QUIGLY

Ella's Dream by Elizabeth Gunn, Hamish Hamilton, £4.95, 176 pages

How Many Years Was It Now? by Jennifer Fitzwilliam, Gollancz, £4.95, 188 pages

The Crow Goddess by Patricia Finney, Collins, £5.50, 338 pages

Ella's Dream is intricately told. Frank, the narrator, lives alone in a Yorkshire cottage, selling cloths by mail order, in worldly terms a failure, in social a recluse. His sister Ella, 10 years older, swoons down on him for a yearly fortnight from a life filled with friends, good works, entertaining and money. A fortnight's dread precedes each visit, a fortnight's exhaustion follows it. Ella has "a permanent obsession with inessentialities," one of which is her dream-view of Frank, not as a clogless oddity but as a solitary genius—a writer she can tell her friends about. So the book is a fulfilment of her dream, finding its narrative thread in an imaginary visit, the sum of many earlier visits, and swinging through time from their early years to the middle-aged present, with Ella long widowed, Frank divorced, at odds yet in a sense still affectionately linked by habit, kinship, and Ella's determination.

Ella is a fine comic figure, in whom, almost impossibly, I kept finding accurately observed traits of people I knew well, echoes of habits that drew delighted recognition; and yet not surface traits, mere ticks of personality, but movements of the spirit, psychic conditions. She lacks, totally, a sense of irony; is (therefore, perhaps) unbalanced; a "good sort," the best, the kindest, endlessly involved with friends, hangers-on, servants, disaster; also, on occasion, a hard-liner, supporter of birchings and

head-on with what most writers take sidelong, using irony, apology, every kind of inventive device, or formal ploy to veil the mere recoupling. None of that here, just the telling of banal incidents in plain, flat statements, more or less from the viewpoint of its adolescent heroine, certainly from within her limitations of age and understanding.

Elizabeth Gunn has a remarkable way with dark (though never comic) comedy, social and psychological. This novel, her second, is full of the most delicate observation, yet the strong, engaging way in which she sets it down makes for an almost throw-away use of sharp eyes and ears and intuitions; cant and sentimentality are sent up, with an occasional use of slangy fed-upness, ferocious and effective bursts of which clear the air like a good family row. Ella herself is a tragic-comic, a sad woman whose life is all cheerful bustle, alone in the midst of loving friends and gushing admirers, silly but not lightweight, foolish and fulsome, not a fool. The writing is elegant, genteel, companionable; it seems written inside Frank's head, a monologue rather than a narrative.

There could hardly be a greater contrast to this high-spirited novel, which sweeps one along, than Jennifer Fitzwilliam's *How Many Years Was It Now?* which is as dour as its predecessor. *Anybody, This Particular Sunday*, with a similarly long, pointless title and the same fat young heroine, Mona. Everything about it, starting from the most unappealing jacket it would be possible to imagine, seems designed to put off rather than entice the reader; and yet, so strange is the character of literary talent, one is not repelled but curiously drawn to its theoretically unpromising primitivism. You could I think call it a primitive, since it takes the world and events at face value, it deals

head-on with what most writers take sidelong, using irony, apology, every kind of inventive device, or formal ploy to veil the mere recoupling. None of that here, just the telling of banal incidents in plain, flat statements, more or less from the viewpoint of its adolescent heroine, certainly from within her limitations of age and understanding. The book speaks truly of its "artless vigour," and the tale is told so intensely, so convincingly, with such gritty exactness, that somehow the whole thing is transmuted into art. Mona, illegitimate, rejected by her mother, living with a loving but sick and aged grandmother in a Scottish village, is not particularly likeable; but she is extraordinarily real; so are the objects she touches, the atmosphere conjured around her, the sense of her spirit, her pain, her desperation, the ardent love her Granny feels for her, her steady disappointment, the ardent love she feels for her mother, as inevitably disappointed too.

Everything about her preposterously ugly and unsatisfying life compels one to believe in it, to become involved; it is a marvellous example of treatment subduing subject-matter, of intensity of feeling, of conviction spinning its own spell.

After these two originals, each with its exact and peculiar voice, Patricia Finney's *The Crow Goddess* seems to lack such a voice; but since she was 19 when she wrote it, and it is her second novel, she deserves rather more than a pat on the back for having organised the massacre of century Britain. This is the sequel to *A Shadow of Gulls* (winner of the David Higham fiction award last year), which began the story of Lugh, an Irish Roman harper, and the adventures that bring him to England and in this novel, gain him the friendship of the Emperor Hadrian.



"The Origin of the Gas-bag" — one of the illustrations in "Heath Robinson At War" (Duckworth, £3.95) which brings together in one volume all the drawings the master of lunatic invention made between 1915 and 1919

Into the abyss

BY GEORGE MALCOLM THOMSON

Evelyn Baring. The Last Procession by Charles Douglas-Home, Collins, £7.50, 344 pages

The last preconscious had the worst luck in the world: he came on the scene a generation too late. Sir Evelyn Baring might have been remembered like his father, the great Lord Cromer, as a Governor of vision and genius, an administrator who had made him visible and lasting benefit for the people he had ruled.

As it was, Baring had to deal with the political problems of Africa when the famous wind of change was blowing up into a hurricane. At the climax of his career he was responsible for Kenya in the days of the Mau Mau horror.

John Gunther visited Nairobi and reported: "Sir Evelyn Baring is a tall, handsome man with a deep brown face and a profile strikingly like that of John Barrymore: he is sensitive, high-minded and just... The atmosphere of Government House is almost that of 18th-century England. Lady Mary Baring is the daughter of an earl, the principal private secretary is a Howard and one of the ADCs is a Ridley." It was all very beautiful but it was not the answer to the Mau Mau oath.

To be fair to Baring, he had not been adequately "briefed" on the task that was likely to face him. His predecessor had placed for a man liable to bouts of depression. Erskine, a stronger character, detested it. "A sunny place for shady people": its white womenfolk "middle-class sluts," which may have been snobbish of him. All

the same, Erskine's brisk, soldierly ways (a contrast to Baring's long-winded, indecisive conferences) were an important factor in the campaign of terrorism in the colony.

Then the British government, without warning, reversed its policy and Ian Macleod told the African nationalists that, within three years, they would be the governors of the territory. What had happened to make Harold Macmillan change his mind on Colonial policy is still not certain. Charles Douglas-Home, in this excellent, balanced and well-documented life of Baring, is not certain, although he can single out various influences which were probably at work.

Macmillan had heard from de Gaulle (1959) that France was about to give up her African empire. The Belgians with 10 months' warning, scuttled from the Congo in July 1960. It seemed that Britain—with Portugal—was about to be left holding the colonial baby in Africa. So Baring, who had for years endured the contumely of his Kenya settlers because of his "weakness," who had tried to ensure that there was some future for the white man in Kenyan politics, now found himself left behind by events. It was the second time that something of the kind had happened: when he was High Commissioner in South Africa he had opposed Seretse Khama because his marriage to a white woman would probably annoy the South Africans and Baring was hoping to keep South Africa in the Commonwealth. This, he thought, was a main object of British policy.

But, on that occasion too he had guessed wrong. In the end the British government backed Seretse. It was no joke to be a proconsul at a time when the empire was sliding into the abyss at a speed which increased with every day. There is therefore, a strain of melancholy running through this biography of one of the leading figures of the imperial silver age.

Wide vistas of endeavour opened to him, delusively. Glamorous responsibilities fell on his shoulders but events, as they worked out, made it impossible to discharge them. His temperament worked against his success. But the story is not wholly one of frustration. There is a day a magnificent forest in Swaziland, 100,000 acres in extent. Baring planned it. Not many pro-consuls have a memorial so lasting and so satisfactory.

Spy festival

BY WILLIAM D. SHOLTO

Take Nine Spies by Fitzroy Maclean, Weidenfeld, £4.95, 342 pages

The Plumbat Affair by Elaine Davenport, Paul Eddy and Peter Gillman, Andre Deutsch, £4.95, 191 pages

In *Take Nine Spies*, the author of *Eastern Approaches* gives us fascinating vignettes of eight notorious spies from Mata Hari to Oleg Penkovsky, executed in the 1950s. The ninth spy was a corpse bearing the name Major Martin who was dumped in Spain during the war to hoax Nazi intelligence. The book is well written and the stories, despite being factual, read like the best fiction.

What makes spies so intriguing? President Mobutu of Zaïre gave me a likely answer recently when he said: "All journalists are spies. I know I used to be one." The loyalty of Molodt, alias Gordon Londale, was unambiguous. Not so the earlier generation of spies who were double agents transferring allegiance to one or other protagonist alternately as their feelings dictated.

A few general conclusions may be drawn. Firstly, information provided by spies can be immensely valuable, like Richard

Sorge's advance warning to Moscow that Hitler was about to attack the Soviet Union. Secondly, this information is often disregarded by the recipients. Thirdly, national security is too often handled by an Establishment determined not to cast a shred of suspicion on those of similar background and suspicious of all foreigners. Kim Philby, born in the Punjab, educated at Westminster and Trinity and son of an Arabist, was able to rise to the top of the Secret Intelligence Service and stay there for years, even picking up an OBE while working for Soviet intelligence.

Finally, it would seem that in the spying game the Russians are far more motivated, astute and successful than the British and, certainly, the Americans. These men have implications for the outcome of the world's major contemporary antagonisms.

We may smile at the way Mata Hari passed secrets in Madrid from room to room to the German military attaché and then to his French opposite number, depending on which room she was sharing on the particular night. But it is not equally farcical that an entire generation of intellectuals could be hoodwinked for a decade?

The Plumbat Affair also con-

cerns espionage, but is just not in the same class, being merely another Sunday Times scoop by the *Insider* for her hosts that is the plot by which the Israeli secret service (Mossad) allegedly snatched 200 tonnes of uranium in 560 drums labelled "plumbat" from Belgium aboard the ship *Schergberg* A 10 years ago for their atomic reactor at Dimona, and how the secrets were revealed after the same agents snatched in 1973 mistaking him for Ali Hassan Salameh, the Israeli athletics team at the Munich Olympics in 1972. Between these events in 1969, the book says, the *Schergberg* A 10 years ago for their atomic reactor at Dimona, and how the secrets were revealed after the same agents snatched in 1973 mistaking him for Ali Hassan Salameh, the Israeli athletics team at the Munich Olympics in 1972.

Readers will doubtless wonder whether this fantastic story is true or false. I incline to believe it in outline, but am sceptical about the particulars. One wonders too why the authors chose to denigrate the Israeli secret service rather than their notorious contemporaries in say, Uganda, Cambodia, Chile or the Soviet Union? Is an attempt on the life of someone who has organised ethnic massacres an unmitigated offence?

Pastoral SF in orbit

BY RAY LARSEN

The Road to Corlay by Richard Cowper, Gollancz, £3.95, 158 pages

The Desadi Experiment by Frank Herbert, Gollancz, £4.95, 338 pages

British writers seem to be carving out a niche with a new style of pastoral science fiction. Cowper's novel is very much in this vein. A rustic Britain has been divided into small kingdoms. Technology has collapsed and an intolerant Church is persecuting heretics. It will be enjoyed by those who are seeking a peaceful refuge from the technological overkill of *Alien* science fiction.

Those who fell in love with the high fantasy of Frank Herbert's *Dune* trilogy will love this one. Hocus-pocus about the adventures of a secret agent amongst alien cultures.

The Devil is Dead by R. A. LaFerty, Dobson, £4.95, 224 pages

Death and resurrection are themes which have preoccupied LaFerty over the years. In a style reminiscent of James

Joyce he tells of Finnegan's voyage through a purgatorial world in search of the Devil. It will find ready admirers amongst those who like avant garde fantasy and who do not resent the absence of a plot.

Miracle Visitors by Ian Watson, Gollancz, £4.95, 239 pages

In the wake of *Close Encounters of a Third Kind* it seems that we are in for a spate of flying saucer novels. Ian Watson throws in every possible ingredient—hypnotism, mysticism, psychic research and space ships disguised as American cars. UFO-watchers will lap it up.

Crimes in short

BY WILLIAM WEAVER

Sunken Without Trace by Dominic Devine, Collins, £3.75, 265 pages

If you object to a story in which someone who has been presented as relatively normal proves, in the end, to be murderously insane, taken you will object to Dominic Devine's new novel, his first after a long, regretted silence. For that matter, the person in question would have fairly sane motives for murdering (assuming that sane motives can exist). Any way, apart from this caveat, there is little to criticize about this well-told story, admirable for the precision of its setting. Most of the action centres around a City Hall in a small Scottish city.

The characters are painfully real and human: the pompous executive, the ambitious young Councillor, the clerks and secretaries. Mr. Devine has also provided a likeable underdog hero, a splendid dish of a girl, and a spiky but admirable cop.

An Amateur Corps by Simon Brett, Gollancz, £3.95, 192 pages

Simon Brett's down-at-the-heels actor Charles Paris is, once again, involved in a murder. This time he is a friend of the victim and of the suspect (her husband), so his investigation is prompted by personal concern. His job is cut for him: the suspect is not convinced of his own innocence, and the police—and even the suspect's lawyer—are anything but interested in helping Charles. The setting is smug suburbia, where an amateur dramatic society presents first *The Seagull*,

then *A Winter's Tale* (actually people, engaged in ordinary jobs, this production never opens, Frank Hales—the protagonist of this new Lewis—is an apparently skill). The solution is at once solid, even staid citizen, partner ingenious and credible, and, on the way to it, the author enjoys married to a rich and beautiful himself—as the reader will, too familiar mistake—he keeps some- considerably less respectable, despite an impeccable exterior. When the dodgy partner draws pears, Hales has to find him. The police become interested, too, and there Hales makes the big, familiar mistake—he keeps some-

An Uncertain Sound by Roy Lewis, Collins, £3.75, 196 pages

Roy Lewis is at his excellent best with the most ordinary thing back.

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FARMING AND RAW MATERIALS

No sugar surplus this year—report

By Our Commodities Staff

WORLD SUGAR supplies in the new marketing year which starts today should match demand closely, according to the latest report from E. D. and E. M. the London brokers. It suggests that there might even be a modest deficit.

In the season just ended there was a world surplus of 7m tonnes of sugar, but production is forecast to drop by 3m tonnes in 1978-79 and an increase in consumption of 3.5m tonnes is considered probable.

Man suggests that the change from surplus to balance in the market should encourage prices to rise and says that an average level of 11 cents a pound is "a serious possibility" for 1979.

Production controls in Argentina, Brazil, South Africa and Australia, and a reduction in long-term EEC availability, were among the factors behind the change in trend, Reuters reported.

Man said it would be the first time in eight years that world sugar production had declined.

World cane production was forecast to fall from 57.2m tonnes to 54.5m and world beet output from 38.7m tonnes to 35.5m.

EEC production was expected to total 11.43m tonnes against 12.16m.

Fears over African cocoa output lift London prices

By RICHARD MOONEY

GROWING CONCERN over West African crop prospects continued to push cocoa prices higher on the London futures market yesterday.

The nearby November position broke through the £40 permissible limit during the morning and ended the day £45.25 higher at £188.9 a tonne—its highest level since mid-May.

Cocoa prices have been rising steadily for the past two weeks and yesterday's advance took the gain since the beginning of last week to more than £140 a tonne.

Dealers said that yesterday's advance took place against a background of continuing Central American enquiries for forward delivery physical cocoa. They thought the main factor behind the recent upsurge, however, was the widely reported deterioration in West African production potential, which has been on schedule.

Holco, the London merchant house, published a report yesterday forecasting a decline in the world crop of between 70,000 and 110,000 tonnes during the 1978-79 season, compared with the previous year's production of 1.47m tonnes.

The main reason for the drop was poor pod-setting in Brazil, Nigeria and the Ivory Coast.

In Brazil the main crop could be between 25,000 and 40,000 tonnes down in Nigeria between 30,000 and 40,000 tonnes down, the report said.

Due to the uncertainty of smuggling, we are putting the Ivory Coast and Ghana together and are looking for combined production to be lower by 10,000 to 20,000 tonnes.

Holco expects the Ghana crop to be unchanged—although many London sources are forecasting lower production there—and the Ivory Coast crop to be down about 10 per cent.

London traders put most of the blame for the deteriorating West African output situation on the unusually overcast weather which produced rain for much of the past few months.

In Accra, meanwhile, the Ghana cocoa marketing board said purchases of Ghana mid-crop cocoa for the 13th week of the current purchasing season (ended August 31) amounted to only 78 tonnes.

W. Germany expects bumper grain crop

By Jonathan Carr

BONN, August 31. A RECORD West German harvest was forecast for this year by Herr Josef Ertl, the Agriculture Minister. He also predicted relatively low input costs for farmers and stable prices for consumers.

Painting this glowing picture at a farmers' conference here, Herr Ertl said that everything pointed to a grain harvest of 23.6m tonnes—up 9.4 per cent on last year and just ahead of the previous record of 22.74m tonnes in 1974.

Key reasons for the rise were the good weather early this year, an increase in the area sown and further use of high-yield strains, the Minister said.

It looked like being a bumper year for fruit, too, with production of cherries up 52 per cent, apples up 31 per cent and plums up 16 per cent. And the outlook for vegetables was also encouraging.

Herr Ertl stressed that all harvest data available showed that there would be no shortage and that food prices would remain stable. In 1977-78, food prices in West Germany had risen by only 1.6 per cent, compared with 3.6 per cent a year earlier, while the inflation rate for all products excluding food had gone up by 3.5 per cent.

UK HARVEST

Huntsman bounces back

By JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

ON THE THURSDAY before Bank Holiday, my harvest came to a stop. The weather, as every one knows, was wonderful, but none of my grain—nearly all wheat—was ready for the combine.

Testing the standard crop for ripeness is a most inexact science. The usual method is to walk out into the field, pluck a few ears, rub out the grains and bite them. If they are hard, then a whole handful of ears is rubbed out and the grains taken to the farm for a moisture test.

The preliminary to this is to grind them through a coffee grinder. If the grain will there is a chance of a reasonable return, but if on the other hand the grains simply squash up without making flour, then there is no point in continuing.

On this particular day the first omens were promising and several tests produced an average moisture content of between 17 and 18 per cent. So the combine started to move in and had travelled 100 yards or so, it was all too apparent that the wheat was not yet really ripe.

Instead of 18 per cent it was well over 21 per cent moisture and the combine had to be driven back to the system I was using. This entailed placing the grain on a ventilated floor through which cold air could be blown.

It is very effective provided that the relative humidity of the air is low and the grain is properly ripe. This is important.

If wheat or barley is unripe it is very difficult to dry without damage, even on a hot air drier, probably because the moisture is part of the natural sap. Ripe grain, once saturated, will dry down quite easily, although the time taken, of course, depends on the moisture content.

These days, however, boldness is not all. Although the yield appears to be good at some things over two tonnes an acre, this is nothing like in line with the three tonnes-plus about which many of my neighbours are talking. The heavier yields are all coming from the new higher-producing wheats, many of which were developed at the Plant Breeding Institute at Cambridge. The most famous of them is Maris Huntsman.

I actually grew this variety for several years, with a particularly heavy yield last year, but it sprouted so badly that I had the greatest difficulty in getting it dried and in saleable condition. It also suffered from most of the diseases in the book—and it is a very big book.

I had therefore concluded, wrongly as it happens, that there would have been a complete breakdown by this time. There have been several crop disasters with certain varieties in the past and I thought that there could well be another this year.

One advantage of Finor and the other milling wheats that grow is that it should command a premium over the higher-yielding feed wheats like Huntsman. Well it does, but it is nothing like enough to compensate for a drop of about half a tonne an acre in the yield.

There is another disappointment for growers of quality wheats this year. The protein content is low. This, all the experts say, is because of the

lack of sun during the growing period. In contrast to the 1977 drought, protein contents were abnormally high.

Where the experts have been wrong this summer has been to prophesy, on the basis of experience, that because of the lack of sun, grain yields would be lowered over all. This obviously hasn't happened. At the winter wheat has yielded above expectations, as has the winter barley.

The only disappointment has been the spring barley in cases where the crop was unable to escape the proper development due to poor sowing conditions in the spring. In any case, the quality of the grain has been harmed by the very bad weather in early August in certain areas.

Credit for the good yields is naturally being claimed for the past and I think that there could well be another this year. One advantage of Finor and the other milling wheats that grow is that it should command a premium over the higher-yielding feed wheats like Huntsman. Well it does, but it is nothing like enough to compensate for a drop of about half a tonne an acre in the yield.

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Equities uncertain on political and labour outlook

	High	Low
Industrial Ovt	625.2 (23rd)	485.3 (2nd)
All-Share	239.66 (22nd)	226.56 (1st)



NEW LOWS FOR 1978
MINES (2)
 Consilic Riotinto Peacocken
NEW LOWS (16)

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* Offered on previous year. † Dividend from class. ‡ Cover allows
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 by way of capitalization. ‡‡‡ Minimum tender price. §§§ Reintroduced. ¶¶¶ Issued in
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1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

BANKS & HP—Continued

1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

CHEMICALS, PLASTICS—Cont.

1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

ENGINEERING—Continued

1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

Five to Fifteen Years

1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

Over Fifteen Years

1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

Undated

1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

INTERNATIONAL BANK

88 100% 100% 100% 100% 100% 100%

CORPORATION LOANS

1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

COMMONWEALTH & AFRICAN LOANS

1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

LOANS

1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

FOREIGN BONDS & RAILS

1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

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1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

BUILDING INDUSTRY, TIMBER AND ROADS

1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

CANADIANS

1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

BANKS AND HIRE PURCHASE

1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

DRAPERY AND STORES

1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

ELECTRICAL AND RADIO

1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

ENGINEERING MACHINE TOOLS

1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

CHEMICALS, PLASTICS

1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

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1978	High	Low	Stock	Price	Div.	Yld.
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

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100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
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100%	100.00	99.99	100%	100.00	100%	100%
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100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%
100%	100.00	99.99	100%	100.00	100%	100%

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FINANCIAL TIMES

Friday September 1 1978

BELL'S
SCOTCH WHISKY
BELL'S

BATHGATE PRODUCTION ASSURANCE [SOUGHT FROM UNIONS]

Shutdown warning by BL

BY PETER CARTWRIGHT AND NICK GARNETT

SHUTDOWN WARNING BY BL. ALL WORKERS at BL's Bathgate plant which has been closed by a machinery strike, were told yesterday that it would not be re-opened when the strike ended unless the unions gave solid commitments on maintaining production.

This first position was adopted as Mr. Michael Edwards, chairman of BL, warned that the company was being led into disaster by the current level of industrial disruption.

He said a tough stand by management against unofficial disputes was vital if the company was to survive in its present form.

Directors at BL are determined that if industrial relations do not improve markedly within the next three months, some plants will be closed permanently.

National union officials, Bathgate shop stewards and BL Vehicles management are meeting in London today to try to come to some understanding ensuring the workforce's

observation of existing arrangements and procedures. In a letter to the 5,000 workers at the Scottish truck and tractor plant, Mr. John Briffitt, BL's manufacturing director, said that management now required more than a return to work by the 1,500 machinists.

Bathgate was in the middle of a major crisis, said Mr. Briffitt. Its viability was being "destroyed" and its future thrown into doubt.

The BL board warned last week that the jobs were in jeopardy at the plant—where output this year has been only marginally more than 80 per cent of target largely because of disputes and restrictive practices.

A statement issued yesterday by the plant's joint shop stewards committee said they did not accept the inference in the management letter that Bathgate's problems resulted from its workers.

Mr. Edwards said the company would give no quarter to the strike. He said the company would need more than the original 11bn forecast. The limit-

ing factor was engineering resources rather than cash.

However, while financial targets might be met this year, they would not be met in the succeeding three years, mainly because of heavy capital expenditure and the introduction of new models.

In addition to the £250m to double Range and Land Rover output, £270m was being spent on the new Mini which would be ready in the first half of 1980. Plans for new sports cars in the Austin Morris range would be known in three or four months. A mid-range saloon would be ready in 1982.

A new series 3 Jaguar, delayed by disputes, should be ready next spring and new TR 7 sports cars from Coventry were on target. They would use the new "Q" series engines that powers the Princess 2. Rover saloons would after all be sold in the U.S.

The truck range had been renewed in the past 18 months, and the problem was one of production rather than new products, which were "imminent."

Japanese GNP hit by fall in exports

BY CHARLES SMITH

TOKYO, August 31.

JAPAN'S GROSS national product grew by 1.1 per cent in real terms during the second quarter of 1978, or at less than half the 2.5 per cent rate registered during the first three months, the Government announced here today.

The slowdown was largely due to the fading of the export boom which had been a major contributor to the economy in the first months of the year. Judged purely on the level of domestic demand, the economy appears to have performed relatively well in the second quarter.

The main components of GNP growth in the April-June period were consumer spending, up 1.5 per cent (1.9 per cent in January-March), and public investment, up 8.2 per cent (1 per cent). But the overseas sector registered a decline of 13.7 per cent against a 12.7 per cent growth in the first quarter.

The figures indicate that the economy would have grown fairly fast in the second 1978 quarter if Japan's exports had not been curbed by deliberate Government action and by the effects of yen revaluation which blunted the competitive edge of Japanese exports in world markets.

The major difference on the domestic front was that high levels of public spending (provided for in the 1978 Budget) were starting to stimulate activity in some sectors of industry.

Reflation

Measured against Japan's target of a 7 per cent growth rate for the 1978 fiscal year, the April-June figures look distinctly low. The GNP will have to register a quarter-quarter growth rate of 2 per cent during each of the three remaining quarters of the fiscal year, for instance, up to the end of March 1979, if the 7 per cent target is to be achieved.

The Economic Planning Agency believes that the economy can accelerate to the required pace and is accordingly sticking firmly to the 7 per cent target, which was announced by Mr. Takeo Fukuda, the Prime Minister, at the Bonn summit last July. It appears to be planning its hopes on the reflationary package which the Cabinet is expected to approve on Saturday.

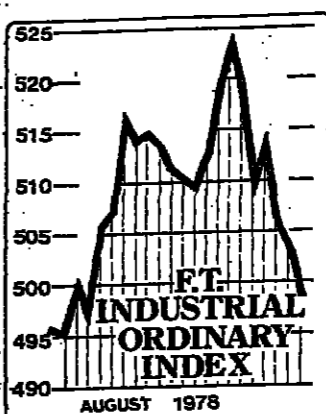
Official claims that this will be worth an additional 1.5 per cent of GNP growth during the fiscal year and that this will make the crucial difference between hitting the target and falling badly short.

Japanese may end export restraint, Page 6

THE LEX COLUMN

Ladbroke takes bets on 1979

Index fell 4.5 to 498.5



suspicion remains that the casino operations are going to be hit hard here in the UK and the potential for overseas development appears to be limited. Meanwhile, the future strength of the non-casino operations is rather difficult to understand.

Ever since mid-July when the Royal Commission on Gambling put the cat among the pigeons and recommended swingeing increases in casino taxes, Ladbroke Group has been trying to reassure punters and investors alike that the situation is not as bad as it looks.

At the half-way stage, pre-tax profits are 27 per cent higher at £13.9m and the group is forecasting that profits for the full year will be around £7m higher at £31m. The Royal Commission's proposal regarding the casinos are described as "impractical, unrealistic and incapable of implementation" without badly damaging the fabric of the industry. Meanwhile, Ladbroke's non-casino interests appear to be roaring ahead and their contribution to total profits is expected to rise from £11.5m last year, to £17m-£18m this year and £25m in 1979. The official line seems to be that even if the casino were to contribute nothing, 1978 profits are not going suddenly to collapse.

Assuming that casinos make at least £10m next year (against £13m this year) then Ladbroke's profits in 1979 could be of the order of £35m and might even go as high as £40m if the threatened casino tax increases can be headed off. Against this background the group is capitalised at £100m and the shares at 178p could be cheap. Selling in a prospective 1978 multiple of under 7. However, the

On the face of it, this is powerful justification for the group's claim that its mixture of chalk and cheese, of construction and property investment, has in the past tended to mask its true stock market value. But first the price has to swallow the virtual absence of any valuation bonus in the formal details of the scheme of arrange-

ment: the investment properties turn out to be valued at £88.8m just £3.3m more than the Board's estimate last May. Moreover the interim profits statement is being held back until October 30.

It turns out that of total group end-1977 net tangible assets of £133.8m, the property company will take in £84.1m. This might plausibly be valued in the equity market at just under £60m. By subtraction from the current global capitalisation of £122m the construction side should emerge as marginally the bigger brother in terms of capitalisation, and indeed at around £63m. Its historic p/e of just under 8 on fully taxed 1977 earnings is closely in line with the sector average. So the current share price looks soundly based. But there could be some mutterings from the institutions over the perpetuation of the voteless "A" share element in both the new companies.

Matthews Wrightson

The shadow of Norwegian shipping troubles—where a consortium of shipowners is finding it difficult to keep up £4.4m a year charter payments—continues to dog Matthews Wrightson despite yesterday's good interim figures. The official news is that negotiations are proceeding cordially, and may well be resolved soon. But it remains impossible to guess what effect the eventual outcome will have. Presumably any changes in the charter terms would be reflected in future operating profits, as opposed to prior year figures as an extraordinary item.

The 40 per cent increase in pre-tax profits to £4.8m is once again distorted by extra bad debt provisions (possibly £250,000) after an extra £260,000 last time. But the underlying trend is for growth of around 15 per cent in brokerage fee income, while the expense ratio may have improved a little. Another distorting factor arises from the Middle East, where the problems of the Lebanon and the development of new offices elsewhere have depleted the profit contribution. Estimates of full-year profits vary between £8m and £11m. Whatever the underlying result, it could be heavily reduced by the weakness of the U.S. and Canadian dollars. At 200p, the prospective yield is 7 1/2 per cent.

'Smith and Nkomo meet'

By Bridget Bloom

MR. IAN SMITH, the Rhodesian Prime Minister, met Mr. Joshua Nkomo, co-leader of the Patriotic Front, and President Kenneth Kaunda in Zambia on August 1, according to a spokesman of one of the parties to Rhodesia's transitional Government.

The purpose of the reported meeting, according to Joseph Masungu, spokesman for the Rev. Sithole's Zanu, was to conclude a deal which would make Mr. Nkomo head of a transitional Rhodesian Government until elections could be held.

The Zanu statement added that Brig. Joseph Garba, former Nigerian Commissioner for Foreign Affairs, was also present at the meeting.

In Salisbury last night there was no independent confirmation of the meeting. Though a white spokesman for the transitional Government, which comprises Mr. Smith, Mr. Sithole, Bishop Muzorewa and Chief Chirau, denied the reports, a spokesman for Bishop Muzorewa confirmed them.

There have been rumours for some weeks that Mr. Smith and Mr. Nkomo have had contacts, but as far as is known, Mr. Smith and President Kaunda have not met since last September. The presence of Brig Garba at such a meeting would add a new dimension to the search for a Rhodesian settlement.

If it took place, the meeting could prove of key importance both to the situation in Rhodesia and to Anglo-American attempts to seek a settlement there.

Recently Mr. Smith has appeared much readier than either Mr. Sithole or Bishop Muzorewa to attend a proposed round table conference. It may be that he is trying to outflank his black colleagues whom he has virtually accused of not honouring their promises to end the guerrilla war.

Before the report of a Smith-Nkomo meeting, Mr. Nkomo, who was at the funeral, suggested that there could be serious divisions within the four-man Rhodesian Executive Council.

Referring to Mr. Sithole's refusal to go to a conference, Mr. Nkomo said: "He is the man who should go. It may save him from disaster. If he is so stupid to say no to something that would save him, he might find himself without a Council."

Unions plan big effort to win votes for Labour

BY CHRISTIAN TYLER, LABOUR EDITOR

TUC LEADERS left no doubt yesterday that they intend to make next week's Congress the launching pad for Labour's general election campaign, and that all the stops will be pulled out for a Labour victory.

General secretaries of more than 30 of the most prominent unions affiliated to the Labour Party were mobilised for a jointly-run programme of canvassing and speeches, especially in the marginal seats.

Mr. David Barnett, TUC chairman, and head of the Trade Union Committee for a Labour victory, said the unions should aim to contribute a total of £1m for the campaign from political funds. His own union, the General and Municipal Workers, would be giving £100,000.

Mr. Len Murray, TUC general secretary, made it plain that the TUC, although a non-political body, had few qualms this time about declaring its unequivocal endorsement of Labour.

The general council decided yesterday to back a motion to that effect, the intended cent piece of this year's Congress, which will be taken on Tuesday after Mr. Callaghan has addressed the delegates.

Mr. Murray will speak to that

motion which has been put down by the Engineering Union and congratulates the minority government on its achievements since it was returned to power in 1974.

The Post Office Engineering Union has added its expectation of a close working relationship between the trade union movement and "the next Labour government," and of further provision legislation.

The following day, Mr. Barnett's committee will meet Mr. Norman Atkinson, Labour Party treasurer, and Mr. Ron Hayward, general secretary, to say how much they will be putting into the war chest.

Activist

Once the election date is announced, the committee, working from a GMWU office near St. Pancras station in London, will monitor and respond to the issues as they emerge during the three week campaign.

It will help plan activist support in the constituencies, from trade union leaders, and send in trade union volunteers to knock on doors. It is the first time that the unions have combined in this way for

a general election campaign.

The only breath of controversy yesterday came at the general council meeting when Mr. Frank Chapple of the electricians refused to withdraw an amendment to a motion on East-West relations that spoke of "features of the Stalin era."

Mr. Chapple, a former Communist and now a bitter critic of Communism, was asked to explain what the phrase meant and to withdraw it. The general council decided to oppose his amendment during the international debate next Thursday.

However, other motions dealing with social topics like free trade unionism, including one deploring that "use of psychiatric treatment as a means of repressing trade union independence," will be left to Congress to decide without guidance from the platform.

Other motions the general council wants to see removed from the agenda are both of those put down by the National Union of Journalists. One, seeking legislative backing for post-entry closed shops, was felt to raise legal problems. The other, about the three journalists who are being prosecuted in a secrets case, was felt to be sub-judice.

Continued from Page 1

Peugeot chief's Chrysler hopes

These are the jobs he is protecting and that British and French factories do not lose their engineering technology, and simply assemble cars.

The unions will meet again in London to review the position after they have held discussions with Peugeot Citroen. The takeover plan will be discussed at the TUC next week.

An emergency motion by the Amalgamated Union of Engineering Workers demands direct Government representation in any company taking over Chrysler UK.

● Alan Price writes: Mr. Parayre's statement falls short of the two

centrations of financial, manufacturing and research resources, enabling his group to challenge successfully our major competitors.

Europe's "relatively fragmented and vulnerable" motor industry must pass from the stage of collaboration on certain manufacturing projects like components to "more global solutions" to face the challenge of giant U.S. companies making more universal models and Japanese concerns with a protected home market, undervalued currency and "special social and cultural benefits."

● Alan Price writes: Mr. Parayre's statement falls short of the two main issues which British and other unions in the International Metalworkers' Federation decided on Wednesday must be met if the takeover went ahead.

French announcement contained few if any surprises for the Government, which has studied the implications of the proposed takeover for the past three weeks.

But the fact that M. Parayre is prepared himself to meet British union leaders is regarded as a useful step forward. Traditionally he keeps out of the group's labour issues and leaves industrial relations to the operating subsidiaries.

In London representatives of Chrysler motor dealers backed the idea of the takeover and urged the Government to make its decision known quickly.

Representatives of the Motor Agents' Association and the Scottish Motor Trades Association led by Bob Croyer, present industry Department Minister, said that uncertainty over the future was leading to loss of confidence about Chrysler's prospects.

● John Elliott writes: The

UK agrees to join Airbus

Continued from Page 1

what aircraft it thinks best for its needs.

British Airways is prepared to reconsider its long-term need for the A-310, however, if it could have that aircraft with a version of the Rolls-Royce engine instead of the U.S. General Electric engine planned for the A-310. It is this version which the UK wants accepted by France and West Germany.

After talks in London late on Wednesday, the matter was discussed in Bonn by Herr Martin Gruener, the State Secretary at the West German Economics Ministry, and M. Joel Le Theule, French Transport Minister. A decision is expected soon. The West Germans are known to be in favour, but the French are still believed to be sceptical.

If British Aerospace does join the European Airbus Industrie group, it will contribute upwards of £50m towards its share of the A-310 venture, probably trying to win the wings. This money will be found by the Government under Section 45 of the Aircraft and Shipbuilding Nationalisation Act.

Work on the A-310 Airbus would provide jobs for 7,000 workers in British Aerospace, starting off years of redundancy which had been growing as a result of the lack of new civil

airframe work.

But, the UK Government made it clear that by agreeing to allow British Aerospace to rejoin Airbus Industrie on the A-310, it was effectively ruling out any version of the Rolls-Royce engine for the A-310.

Maurice Samuelson writes: Sir Kenneth Keith, chairman of Rolls-Royce, said yesterday that the Boeing deal was "the most significant event for the company since it was reformed in 1971."

He was speaking at a joint press conference also attended by Mr. Ted Boulton, president of Boeing.

It would stabilise employment at Rolls, but Sir Kenneth did not foresee any addition to the workforce for this programme. Commenting on suggestions by Mr. Varley that more jobs would become available, he said: "I am not my master's keeper."

The engine also would be "ideally suited" for another aircraft, the 777, which Boeing was planning, and he hoped Rolls would win a portion of that market, too.

Rolls would have to increase its presence in the U.S. to provide overhaul and manufacturing facilities. Its British plant was geared to produce 20 engines

a month, but any increase would require re-equipping.

Asked if the deal with Boeing affected UK co-operation in Europe, Sir Keith said that even if Rolls had the monopoly of business in Europe it would still have to sell 40 per cent of its products elsewhere.

The European aviation industry had yet to coalesce and make up its mind about what it should build.

Mr. Boulton said that, besides British Airways and Eastern, two other airlines were interested in buying the Boeing 757 with the Rolls engine Delta Airlines and American Airlines.

The new aircraft was intended to replace earlier ones, such as the 727s and 737s, which had been produced since 1958. He hoped that airlines would choose it when replacing non-Boeing jets.

Rolls had won the contract to build the engines for the first 757s because its salesmen had been more aggressive than those of the American competitors, such as Pratt and Whitney and General Electric. "Five years ago, we never saw Englishmen come to Seattle," he said.

Jobs Wyles writes from New York: Eastern's decision to order 21 Boeing 757s brings the total value of orders placed by

New paper may start next month

By John Lloyd

THE NEW popular tabloid national daily newspaper planned by Express Newspapers could be launched from Manchester next month.

Mr. Jocelyn Stevens, managing director of the Express group, said yesterday that as soon as agreement had been reached between the management and the Express unions in Manchester—any time after six weeks—the new paper could be launched.

Mr. Stevens was speaking after a three-hour meeting with the unions in Manchester. He will hold further meetings with union officials in London today.

The final decision whether to proceed with the new venture, which would compete with the Daily Mirror and the Sun, will be taken by Mr. Victor Matthews, chairman of Express Newspapers.

Mr. Stevens said: "It all depends on the arithmetic. Mr. Matthews will decide on the basis of the figures because he is a man interested in making a profit. I do not see any obstacle."

Plans by the Sun, now well advanced to print in Scotland, were not a factor in the decision. "The Sun could not be expected to gain more than about 200,000 extra copies by printing in Scotland. You do not launch a new newspaper to cover that sort of figure."

Weather

GENERALLY COOL. London, S.E. England, Channel Is. S.W. England, S. Wales. Mainly dry becoming brighter. Max. 18C (64F).

E. Anglia, E. and N.E. England. Mostly cloudy, occasional showers. Max. 15C-17C (59F-63F). Cent. Southern and Cent. Northern England, E. and W. Midlands.

Bright or sunny intervals, isolated showers. Max. 16C-18C (61F-64F).

N.W. England, Lake District, S.W. Scotland, Glasgow, Cent. Highlands.

Bright or sunny intervals. Max. 14C-16C (57F-61F).

Outlook: Becoming mainly dry.

● Long-range forecast for September: Cool at first, giving way to changeable.

BUSINESS CENTRES

HOLIDAY RESORTS

Questions answered about your Will

Q: In these days it is hard to estimate what I may have to leave when the time comes. I want to be fair to close relatives, but I also want to benefit a cause close to my heart. How can I best ensure both?

A: Most of us have a similar problem, with inflation. The sensible course is probably to leave fixed proportions of your estate to the individuals you wish to remember—say 20% to one, 15% to another and so on—and then the residue to the cause you wish to help.

Q: I wish to remember old people, since they seem certain to be in continued need, but their needs may change. How can I anticipate what they may be?

A: Help the Aged has a justified reputation for keeping well abreast of the needs of old people, and has pioneered a great deal of much-needed work for lonely, sick, hungry and despairing old people. Their trustees are especially careful to make maximum use of volunteers in daily touch with the elderly, thereby ensuring the most practical response to need and obtaining the utmost value for each bequest.

They publish two useful guides for those considering their wills; and I often commend these to clients to study in advance of consulting me. Copies may be obtained free on request by writing to: Hon. Treasurer, The Rt. Hon. Lord Maybray-King, Help the Aged, Room FT5L, FREEPOST 30, London W2 7JZ. (No stamp needed.)

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